



SpencerFane

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January 20, 2023

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 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 1,608 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 (including Briargate Parkway, Banning Lewis Ranch, and major east-west corridors in District No. 4 and Sterling Ranch Road in District No. 5), 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. Although the Sterling Ranch Metropolitan District Nos. 1-3 (“District Nos. 1-3”) are adjacent to the Districts and the Property is within the service area of the Falcon Area Water and Wastewater Authority (“FAWWA”), District Nos. 1-3 and FAWWA are not able or willing to finance or construct the public improvements necessary for the Property.

The Districts’ boundaries will not overlap with the boundaries of District Nos. 1-3. The Property was previously within the boundaries of District No. 3. The property was recently excluded from District No. 3’s boundaries pursuant to the El Paso County District Court Order entered on June 10, 2022 and recorded in the El Paso County Real Property Records at Reception No. 222127449 on October 4, 2022 (“Exclusion Order”). A copy of the Exclusion Order is enclosed herewith. The boundaries of District No. 3 and District No. 1 were also slightly adjusted following the inclusion of property previously within the boundaries of District No. 3 into District No. 1. The El Paso County District Court Order for Inclusion entered on June 10, 2022 and recorded in the El Paso County Real Property Records at Reception No. 222127448 on October 4, 2022 is enclosed herewith. There is a small portion of the property with Schedule Number 5228000038 that will be excluded from District No. 2, as it intended to be located within District No. 5.

The primary reason the Property was excluded from District No. 3 pursuant to the Exclusion Order was to allow residents to take control of the Sterling Ranch Districts that are already developed. The formation of the new Sterling Ranch Districts will enable the undeveloped portions of the project to proceed as planned while simultaneously allowing the turnover to residents of the completed portions of the Sterling Ranch project. The formation of the new Sterling Ranch Districts will also accommodate the development phasing and slowdown in building that the market is currently experiencing and may continue to experience. Likewise, as District Nos. 1-3 are in the process of developing and experiencing such slowdowns, along with changes in development projections and increases in construction costs, District Nos. 1-3 are not in a position to fund the improvements in the areas proposed for the Districts. However, the Districts are anticipated to enter into an intergovernmental agreement with District No. 3 whereby District No. 3 will serve as the operating district and the Districts will provide funding to support District No. 3’s services. The purpose of District No. 3’s role as the operating district is to provide an integrated and efficient approach to developing the property within all of the Sterling Ranch Districts.

At this time, the Developer anticipates FAWWA 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 following the construction and installation of the necessary infrastructure, including, but not limited to, water improvements, sewer improvements, and fire hydrants. The Property is currently within the service area of FAWWA, and it is anticipated that upon the formation of the Districts, the Districts will join FAWWA as members and will therefore have seats on FAWWA’s Board of Directors. The Developer will establish the sufficiency of water to serve the Project when the preliminary plan for the Project is approved (see below for additional detail). The service plan for the Districts includes language that restricts the Districts from issuing debt until the preliminary plan is approved. It is further anticipated that a homeowner’s association will be created, which will provide covenant enforcement.

To the extent any of the authorized facilities and improvements are dedicated to and accepted by the County, FAWWA, 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.

## **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, including FAWWA and Black Forest Fire Protection District, 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**

The Districts are being formed to construct and provide public services in compliance with Your

EPC Master Plan. In addition, the formation of the Districts will continue to encourage policies that ensure “development pays for itself,” as discussed further below.

**Core Principle: Land Use & Development.** 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. The formation of the Districts will allow “development to pay for itself,” as the properties within the Districts’ boundaries will contribute to the financing of the public infrastructure serving such properties.

**Core Principle: Housing & Communities.** The future land use placetype for the Property is “Suburban Residential.” The residential units that are proposed consist of a variety of single-family residential units at different price points.

**Core Principle: Economic Development.** The creation of approximately 1,608 additional residential units upon the formation of the Districts will help support economic development in the area.

**Core Principle: Transportation & Mobility.** The Districts will finance, construct, and install extensions of major parkways, collector roads and corridors, bicycle routes, and regional and interior trails. This transportation network will help reduce traffic congestion, promote safe and efficient travel, and promote walkability and bikeability. The public financing tools available to the Districts will provide a cost-efficient method of funding transportation infrastructure and maintenance.

**Core Principle: Community Facilities & Infrastructure:** The Districts will coordinate the provision of services with surrounding entities, including FAWWA, Black Forest Fire Protection District, and Sterling Ranch Metropolitan District No. 3, to provide high-quality community facilities, services, and infrastructure to enhance the quality of life for the community. The Districts will also ensure adequate utilities are provided to manage growth and development and will coordinate the financing of such utilities and infrastructure.

**Core Principle: Recreation & Tourism.** The Districts will support high-quality, sustainable outdoor recreation through the construction and installation of parks, open space, trails, and bicycle routes.

**Core Principle: Environment & Natural Resources.** The environmental impacts from development of the Property will be considered and best practices with regard to development and infrastructure will be promoted.

## 2. Compliance with Water Master Plan

Compliance with the following Goals and Policies of the Water Master Plan are explained below:

*Goal 1.1* – Ensure an adequate water supply in terms of quantity, dependability and quality for existing and future development.

*Goal 6.0* – Require adequate water availability for proposed development.

*Policy 6.0.8* – Encourage development patterns and higher density, mixed use developments in appropriate locations that propose to incorporate meaningful water conservation measures.

*Policy 6.0.11*– Continue to limit urban level development to those areas served by centralized utilities.

Falcon Area Water and Wastewater Authority (“FAWWA”) which will become the overall service entity for the Sterling Ranch Metropolitan Districts, The Retreat Metropolitan Districts, and future The Ranch Metropolitan Districts. Water rights adjudications have been decreed by the State of Colorado, Water Division 2 District Court, Water Division 1 District Court, and the Colorado Groundwater Commission. The comprehensive rights for the FAWWA service include both decrees and determinations. The most recent water rights added to the Sterling Ranch Inventory are three acquisitions: McCune Ranch 391.33 AC for 300 YRs, Bar-X Ranch 592.78 AF for 300 YRs, and Shamrock West 220.10 AF for 300 yrs. These acquisitions leave 1024.62AF for 300 years net excess of currently available water, and therefore is more than sufficient water supply to meet the needs of Sterling Ranch East Phase 1 on the 300-year basis.

Region 3 contains four growth areas west of Falcon projected to be completed by 2040. Other areas of 2040 growth are projected for the north-central part of the region west of Highway 24 extending from Falcon to 4-Way Ranch. North of Falcon along Highway 24, growth is projected by 2060 on both sides of the highway. Just west of Falcon, another small development, is projected by 2060 on the north and south sides of Woodmen Road. On the east side of Highway 24, three separate areas of growth are projected for development by 2060, with the largest of the three spanning from south of Judge Orr Road to east of Peyton Highway into Region 4c. This development will likely consist of 35-acre lots that will require individual wells to use Denver Basin groundwater. The other two growth areas will be located on the north and south sides of Falcon Highway directly east of Falcon.

FAWWA-owned and currently available on-site non-tributary (NT) and adjudicated not non-tributary (NNT) water totals are 1901.83 AF for 300 YRs.

The FAWWA water system has only been in operation for three years, so little-to-no usable historic information would be reliable for unique, long-term planning. However, substantial nearby data from the Falcon area is available for use. As of the end of 2021, the system had approximately only 300 active users. Therefore, initial projections have been based on area-wide water user characteristics and a linear buildout rate. This rate is considered to be an average annual rate that might be reasonably maintainable over a 10-year period. The average growth rate is projected as 180 units added per year.

- 2040 Scenario: Based on the above factors, the FAWWA system might conservatively anticipate serving 3,710 SFEs in the year 2040. This number is a service area projection and includes the Retreat and The Ranch, as well as the main Sterling Ranch residents. This would require no additional water.

- 2060 Scenario: Based on the same factors, the Sterling system might be expected to serve 7,310 SFEs within its expanded service area, which includes the Retreat and The Ranch. The annual acre-

foot requirement might be 679 annual AF, but supply would include water from The Ranch which has not yet been added to inventory. In addition to adding off-site sources, potential, additional supplies include renewable resources and/or regional projects bringing new water to the area FAWWA's main supply source is centralized at a point that both Cherokee Metropolitan District and Woodmen Hills Metropolitan District have adjacent major storage and delivery facilities. There are currently no arrangements in place to make connections, but in the future, SRMD may seek to have interconnections and possibly share supply. Other actions include conducting cooperative actions with CSU and SRMD to potentially share centralized facilities. Municipal water demand for Sterling Ranch would be met using primarily Arapahoe and Laramie-Fox Hills formation wells in the SRMD area. The first well site will be drilled with an Arapahoe Well (A-1) and Laramie-Fox Hills Well (LFH-1); well site #1 includes both an Arapahoe and a Laramie-Fox Hills well. Additional permits will be obtained as needed to ultimately continue to add to the system as needed. Existing well permits are included in the Water Resources Report completed by JDS Hydro in October 2022.

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 Major Transportation Corridor Plan identifies the extension of Briargate Parkway as a 4-Lane Principal Arterial between Black Forest Rd and Meridian Road by 2040. No additional change of classification or widening is identified on the 2060 Corridor Preservation Map. The County has commissioned a consultant to initiate the design of this road extension and the Sterling Ranch developer has met with the consultant to coordinate intersection locations along Briargate Parkway. Briargate Parkway is to be constructed through Sterling Ranch with future development.

### 4. Compliance with EPC Parks Master Plan

The preliminary plan for the Property will comply with the EPC Parks Master Plan. It is anticipated that the Districts will own and maintain all parks, trails, and open spaces within the Property unless otherwise dedicated to another entity. The overall Sterling Ranch development includes master planned regional trails, extensions, connections and on-road bicycle routes, including Sand Creek Regional Trail, Woodmen Hills Secondary Regional Trail, Arroyo Lane Primary Regional Trail, and the Vollmer Road Bicycle Route.

## **E. Service Plan Conformity**

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 (including Briargate Parkway, Banning Lewis Ranch, and major east-west corridors in District No. 4 and Sterling Ranch Road in District No. 5), water, sanitary sewer, drainage, park and recreation, and Sand Creek Channel 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, as 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. Although Sterling Ranch Metropolitan District Nos. 1-3 (“District Nos. 1-3”) are adjacent to the Districts and the Property is within the service area of the Falcon Area Water and Wastewater Authority (“FAWWA”), District Nos. 1-3 and FAWWA are not able or willing to finance or construct the public improvements necessary for the Property. The formation of the new Districts will allow the turnover of the existing and developed Sterling Ranch Districts to residents of the completed portions of the Sterling Ranch project while simultaneously enabling the undeveloped portions of the project to proceed as planned. Further, as District Nos. 1-3 are in the process of developing and experiencing such slowdowns, along with changes in development projections and increases in construction costs, District Nos. 1-3 are not in a position to fund the improvements in the areas proposed for the Districts. However, the Districts are anticipated to enter into an intergovernmental agreement with District No. 3 whereby District No. 3 will serve as the operating district and the Districts will provide funding to support District No. 3’s services. The purpose of District No. 3’s role as the operating district is to provide an integrated and efficient approach to developing the property within all of the Sterling Ranch 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, including tax-exempt financing, 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 approximately \$140,000,000. 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. The financial plan attached to the Service Plan demonstrates one example of how the Districts may finance the public improvements.

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 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, as 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. Although District Nos. 1-3 are adjacent to the Districts and the Property is within the service area of FAWWA, District Nos. 1-3 and FAWWA are not able or willing to finance or construct the public improvements necessary for the Property. The formation of the new Districts will allow the turnover of the existing and developed Sterling Ranch Districts to residents of the completed portions of the Sterling Ranch project while simultaneously enabling the undeveloped portions of the project to proceed as planned. Further, as District Nos. 1-3 are in the process of developing and experiencing such slowdowns, along with changes in development projections and increases in construction costs, District Nos. 1-3 are not in a position to fund the improvements in the areas proposed for the Districts. However, the Districts are anticipated to enter into an intergovernmental agreement with District No. 3 whereby District No. 3 will serve as the operating district and the Districts will provide funding to support District No. 3's services. The purpose of District No. 3's role as the operating district is to provide an integrated and efficient approach to developing the property within all of the Sterling Ranch Districts.

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 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, as 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. Although District Nos. 1-3 are adjacent to the Districts and the Property is within the service area of FAWWA, District Nos. 1-3 and FAWWA are not able or willing to finance or construct the public improvements necessary for the Property. The formation of the new Districts will allow the turnover of the existing and developed Sterling Ranch Districts to residents of the completed portions of the Sterling Ranch project while simultaneously enabling the undeveloped portions of the project to proceed as planned. Further, as District Nos. 1-3 are in the process of developing and experiencing such slowdowns, along with changes in development projections and increases in construction costs, District Nos. 1-3 are not in a position to fund the improvements in the areas proposed for the Districts. However, the Districts are anticipated to enter into an intergovernmental agreement with District No. 3 whereby District No. 3 will serve as the operating district and the Districts will provide funding to support District No. 3's services. 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 1,608 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 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

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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