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File No. 5035740.0001

July 21, 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 Grandview Reserve
Metropolitan District Nos. 1 - 5**

Dear Ms. Parsons:

The proposed formation of Grandview Reserve Metropolitan District Nos. 1 - 5 (collectively, the “Districts”) encompasses approximately 765 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 Number 4200000396) (“Grandview Reserve Property”). Ultimately the Districts are anticipated to consist of approximately 3,261 single family residential units and 20,000 square feet of commercial development. 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”) in order to meet the requirements of a formation election in November of 2020.

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 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 (“Woodmen”) is anticipated to be the sewer provider to the Grandview Reserve Property, however, Woodmen, 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. Furthermore, 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.

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.

B. Justification and Information Regarding Multiple District Structure

The Districts will serve a large project with significant infrastructure. 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. Use of District No. 1 as the Control 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. 2-5 will be authorized to perform the same functions, however, it is anticipated that District Nos. 2-5 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 Number 4200000396). 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.

which (2-5) are residential and commercial districts as mentioned below?

D. Justification for District Formation in conjunction with Land Use Approval Process

The Developer is in the process of obtaining the necessary land use approvals and the Sketch Plan will be submitted prior to the hearing on the Service Plan. We are requesting that the Districts' formation be considered in conjunction with the land use approval process to avoid delay as a result of the prolonged election cycle and to ensure the public financing tools will be duly available upon approval of the land use submittals. Following approval of the land use submittals and consistent with the proposed 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. 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.

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;
- 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;
- 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;
- 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.
- e. The proposed service plan shall be consistent with applicable elements of the El Paso County Master Plan and Special District Policies.

F. Major Service Plan Points

- Approximately 765 acres of property within the boundaries of the Districts.
- Completion of an estimated \$235,000,000 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 3,261 single-family residential units and 20,000 square feet of commercial development.
- The estimated initial assessed value at time of complete build-out is \$92,775,163 (based upon an estimated initial market value at time of complete build-out of \$1,277,275,000 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 \$235,000,000. 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 60 mills inclusive of debt (50 mills) and operations and administration (10 mills).
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- Commercial Districts: Each commercial district will have a Maximum Mill Levy of 45 mills inclusive of debt (35 mills) and operations and administration (10 mills).
- Total current projected mill levy of 50 mills for debt and 10 mills for operations and maintenance for residential districts and 35 mills for debt and 10 mills for operations and maintenance for commercial districts allow for financing of approximately \$120,100,000 based upon initial estimates.
- Requested Debt Authorization of \$250,000,000 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 2020.
- There are no current residents within the Districts and no debt or bonds have been issued.

5 m for covenant enforcement? is that included? just double checking that its not a component of the districts powers in this application?

- 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 example financial pro forma attached to the Service Plan anticipates an initial bond issuance in 2021 with a 30 year term and then a refinance in 2031, which extends the term to 2061. 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.

G. Conclusion

The Grandview Reserve Metropolitan District Nos. 1 - 5 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.

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

Sincerely,
SPENCER FANE LLP

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

LOI V_2 redline.pdf Markup Summary 8-6-2020

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Subject: Callout
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which (2-5) are residential and commercial districts as mentioned below?



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