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January 15, 2020

Board of Directors
Southwest Downtown Business Improvement District
c/o Russell W. Dykstra
Spencer Fane LLP
1700 Lincoln Street, Suite 2000
Denver, CO 80203

Re: \$50,000,000
Southwest Downtown Business Improvement District
\$28,275,000 Limited Tax Supported and Special Revenue Senior Bonds, Series 2020 (Phase 1A)
\$21,725,000 Limited Tax Supported and Special Revenue Senior Bonds, Series 2023 (Phase 1B)

Board:

We have prepared the attached financial plan for the initial issuance of bonds by the Southwest Downtown Business Improvement District. This financial plan is to be used for the issuance of the above-referenced bonds that provides funding for Phase 1 of the infrastructure costs for the project. This financial plan is based upon the assumptions and information provided to us by Nor'wood Development Group for Phase 1 of the project. The financial plan outlines bond financings totaling \$50,000,000 for Phase 1 of the project (Phase 1A and Phase 1B). It is anticipated that the \$50,000,000 of bonds will be issued as two separate tranches to better align the financings with the timing of the infrastructure costs and the related vertical development for Phase 1 of the project. As part of this, we reviewed the development and revenue projections to determine what development was currently in-place, what was coming on-line in the near-term and what was anticipated to be in place at final build-out. Based upon this and conversations with potential bond purchasers, we believe the following are reasonable and attainable in today's market.

Initial Financings - Based upon our review of the anticipated cash flows, the Southwest Downtown Business Improvement District will issue the \$50,000,000 of bonds in two separate tranches with one occurring immediately in 2020 and the second one estimated to occur in late 2023 for the infrastructure costs related to Phase 1 of the development. This assumes 100% of the bonds would be tax-exempt based upon the use of proceeds. The average interest rate would be 8.00%. The security for this issuance will be the future property tax revenues generated from the Business Improvement District's mill levy of 20 mills, the future property tax revenues generated from the Metropolitan District's mill levy of 30 mills that will be pledged to the BID, and the sales and property tax TIF revenues received from the City of Colorado Springs URA. The issue size and rates are based upon the future development at buildout of Phase 1, the limited development currently in place and funds required to complete the initial phase. It's anticipated that the initial bonds will be purchased by third party entities.



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Future Financing – In the future, as the additional phases of the project get developed, there will be the ability to issue additional bonds based on the additional revenues of the District. These bonds have been structured with a master trust indenture along with a supplemental indenture associated with each series of bonds up to a maximum amount of \$50,000,000. It is anticipated that these initial issuances will be refinanced at lower interest rates once development has become mature enough and accepted by investors in the municipal market.

The overall financing plan for all phases of the development proposes an ultimate build-out over the next several decades with subsequent bond issues along the way. This financial plan is based upon development information that has been provided to us by the development group and we have not independently verified that information.

All of the revenues pledged to debt service are dependent solely upon the timely build-out at the projected market and assessed values per developed parcel. As a result, the bonds will be issued in \$500,000 denominations and considered speculative in nature. The forecasted absorption schedule is based upon certain assumptions with facts and circumstances as we know them today and sets forth a reasonable estimate of growth within the development. Since events and circumstances frequently do not occur as expected, there will usually be differences between the forecasted and actual results.

As it pertains to the issuance of these bonds by the Southwest Downtown Business Improvement District (the "District"), and the requirements set forth in the current City of Colorado Springs policy applicable to special districts as well as the District's current operating plan, we do hereby certify the following:

RBC Capital Markets, LLC ("RBC") hereby certifies that: (1) the 8.00% interest rate to be borne by the District on the \$28,275,000 initial tranche of Limited Tax General Obligation & Special Revenue Bonds, Series 2020 does not exceed a reasonable current tax-exempt rate, using criteria deemed appropriate by RBC and based upon RBC's analysis of comparable high yield securities; and (2) the structure of the above described debt is reasonable considering the financial circumstances of the District.

RBC Capital Market believes this financial plan to be reasonable based on the information provided to us and our financial assumptions. The issuance of the bonds will be based upon market conditions at the time of sale. This cover letter should be viewed in conjunction with the attached financial plan.

Sincerely,

Thomas Wendelin
Director