

Schueler, Carl

From: Rowland, Jacqueline
Sent: Tuesday, July 5, 2022 1:06 PM
To: Wysocki, Peter; Schueler, Carl
Cc: Greene, Jeff H.; Strand, Tom; Helms, Randy; Williams, Wayne; Henjum, Nancy; Avila, Yolanda; Murray, Bill; Donelson, Dave; OMalley, Mike (Council Member); Fortune, Stephannie
Subject: Proposed Special District Policy

Requesting consideration for a potential edit to the proposed Special District Policy. The most recent policy update includes a limitation on related party privately placed debt of 400 basis points, or 4%, above the Index. However all other privately placed debt has no limitation on interest rates. I propose consideration be given to include the 4% limitation above index for all privately placed debt. Further I propose, for consideration the 'option call date of no more than 5 years' apply to all privately placed debt, where it currently only applies to related party. I have copied the proposed policy below for reference.

The Special District proposed policy updates include significant changes such as increasing the residential mill levy cap from 40 mills to 70 mills. Proposed policies also include Council approval of debt issuance at the point of service plan approval, as opposed to the time of debt issuance in current policy. Data such as debt amount, costs, and interest rates are not available at the point of service plan approval. Further the developer can request an exception with City Council approval, to go above the 4% limitation. So the developer is not precluded from an interest rate above 4% given that a reasonable justification is provided. And lastly, privately placed debt is not competed in the market, only requiring a financial advisor letter of reasonableness. Again, sharing my perspective for your and Council consideration. I fully support the policy decision by Council.

7. *Privately Placed Debt Limitation. Prior to the issuance of any privately placed Debt for capital related costs, the District shall obtain the certification of an External Financial Advisor substantially as follows:*

We are [I am] an External Financial Advisor within the meaning of the District's Service Plan We [I] certify that (1) the net effective interest rate (calculated as defined in Section 32-1-103(12), CRS) to be borne by [insert the designation of the Debt] does not exceed a reasonable current [tax-exempt] [taxable] interest rate, using criteria deemed appropriate by us [me] and based upon our [my] analysis of comparable high yield securities; and (2) the structure of [insert designation of the Debt], including maturities and early redemption provisions, is reasonable considering the financial circumstances of the District.

8. *Related Party Privately Placed Debt Limitation*

In addition to the limitations placed on Privately Placed Debt in V.A.7 above, the interest rate for Related Party Privately Placed Debt shall not exceed the Index Rate by more than 400 Basis Points at the time of issuance, Related Party Privately Placed Debt shall be issued subject to an optional call date of no more than five (5) years from the original date of issuance, at which time the board(s) of any District(s) obligated for repayment of the Related Party Privately Placed Debt shall be notified of the options for refinancing.

Much appreciation for your consideration to my comments.

Regards, Jackie

Jacqueline Rowland, CPA, PMP, CFE | City Auditor | City of Colorado Springs
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We all have *A Duty to Report* suspected fraud, waste, or abuse related to the City of Colorado Springs and its enterprises
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THE MAVERICK OBSERVER
OPEN | ACCOUNTABLE | RESPONSIBLE

July 7, 2022

City of Colorado Springs
107 N. Nevada Avenue, Suite 300
Colorado Springs, CO 80903

RE: July 12th City Council Agenda Item #11B

Dear City Councilmembers,

I am sending these comments to you in connection with my participation as a member of the City's Special District Working Group. My primary concern with special districts - particularly metropolitan districts and business improvement districts - is that they benefit private developers at the expense of the public. Developers form these districts to publicly subsidize their private development projects, a situation prone to conflicts of interest and self-dealing.

Public vigilance, transparency, and oversight are critical to ensure that taxpayer funds are not being diverted to private interests. I am disappointed that the City seems unwilling to exercise the necessary oversight to ensure these governmental entities are accountable and I object to the proposed revisions to the Policy. The current climate of low public trust in government is due to these types of decision making that leads to poor public policy.

The major four (4) objections are:

1. Mill Levy Cap Increase for Debt and Operating
 - a. All governmental taxing entities (i.e., School Districts, PPLD) were not contacted for input on the potential impact to their entity of the proposed mill levy cap increase. The 2006 caps were put in place to ensure that other entities such as school districts are not "crowded out" for any future mill levy increases. The justification for the cap was that excessively high special district levies would make voters more hesitant to support higher property taxes for those other taxing entities – primarily higher levies that may be needed to pay for bond issues or for school district mill levy override increases.
 - b. This is a tax increase.
 - c. Due to the uncertainty of skyrocketing property taxes, it is poor public policy to allow an increase in the maximum debt service mill levy cap and the operating and maintenance mill levy cap at this time for special districts that overlap the City.

- d. I do not agree that the Operating Mill Levy for any District or Combination of Districts shall be 20.000 mills which represents a 50% increase in potential mill levies for Operating on Residential properties.
- e. The Working Group wants consistency with El Paso County's Special District Policy as it relates to the Maximum Mill Levy for Debt at 50.000 mills but not consistency for the Operating Mill Levy which is 10.000 mills.

2. Formal Debt Issuance Approval:

- a. **Policy H.1. 2. b iii** states: "A financing plan that projects Public Improvements and development phasing for the project, along with initial and good faith assumptions for the amount and potential timing of future debt issuances, based on anticipated District revenues. (It is recognized that financial projections will be uncertain based on market and economic contingencies, particularly for longer term development projects, and are therefore only estimates)." Based on this statement, it is essential to maintain City Council oversight and approval of bond issuances since Financial Pro Formas typically do not accurately reflect reality at the time of District approval.
- b. Title 31 and 32 C.R.S. entities can only be created by their jurisdictional municipalities which are directly responsible and accountable to citizens and taxpayers via elected officials and public meetings, hearings, and testimonies. Yet Title 31 and 32 C.R.S. entities do not have this same level of accountability even though Council has approved their power to tax property (both real and business personal) and commerce (via public improvement fees on sales transactions). To keep the accountability directly with the taxpayers, City Council should keep their oversight with all stages of any bond issuance for these quasi-governmental entities. Especially for Title 32 Special Districts since there is no other opportunity for City Council to ensure that these Special Districts are in compliance with their Service Plan and the City's Special District Policy. In addition, special districts should be as open as the City is in relation to CORA requests.
- c. Title 31 and 32 C.R.S. entities within the City have the authority by City Council to tax their district members. Title 31 entities are statutorily required to present their operating plans and budgets each year to City Council for approval. Although these budgets and their contents are rarely questioned by Councilmembers due to the enormity of both the number of entities and their growing bond proceeds, it is vital that City staff review and then submit to Council for review and approval the public expenditures within each entity. In fact, these entities should be required to disclose within their annual budgets the use of their bond proceeds and list the specific public improvements and their associated dollar amounts. Without these disclosures, the approving City Council completely lacks the oversight of millions and millions of expenditures of public tax dollars. City Council should keep their oversight with all stages of any bond issuance and endeavor to hold these quasi-governmental entities more accountable and transparent on their expenditures of taxpayer money.
- d. Title 31 and 32 C.R.S. entities within the City have been, and are continuing to issue, an enormous amount of public debt which encumbers a growing number of taxpayers who reside in a growing number of metropolitan and business improvement districts. This puts a greater, not lesser, responsibility on the City Council to focus on the use of these taxpayer funds by its residents. In fact, in 1993 citizens voted to place a limitation on District indebtedness. The City Charter specifically states: Districts authorized by Colorado

Statutes (title 31 and 32, C.R.S.) serve an important public function in financing the construction of capital improvements. However, the fiscal use of districts for this purpose cannot be without prudent and reasonable restraint when formed in whole or in part within the jurisdictional limits of the City. The City Council ought to reinvigorate its efforts to analyze and completely understand and concur with the transactions that these quasi-governmental entities are making on behalf of its citizens. Stepping up its financial oversight is a necessary action by City Council.

3. Interest Rates and Developer Funding Agreements

- a. Under H.5.3. and 4., I recommend only 200 Basis Points and not 400.

4. Disclosure and Transparency

- a. The industry members of the Working Group and City Staff kept referring to DOLA's website as the place for individuals to obtain information on Districts and fulfill the transparency requirements. DOLA's website rarely has the documents for full transparency of the District's operations. In fact, DOLA has difficulty maintaining and placing all of the documents that should be available for public review.
- b. Transparency is an issue for Special Districts and will continue to be a concern if not appropriately addressed and enforced.
- c. There are several examples within the City, in which there are Disclosure and Transparency issues. In fact, currently there is litigation regarding these issues.

In the past two decades, special districts have been allowed to proliferate in Colorado Springs, saddling City residents and business with unnecessary tax and debt burdens, often without their knowledge or participation. The City should be acting as a counterweight to special district interests, and I had hoped that the Special District Working Group would be a vehicle for real reform. To my disappointment, however, the Working Group simply represents more "business as usual," and I am concerned that the City is continuing down a path that is politically and financially unsustainable.

"Pretty much through all of human history and throughout the world, when you have power that isn't watched, it tends to get abused." Steven Waldman is a former journalist.

Sincerely,



Timothy C. Hoiles
The Maverick Observer

c: Mayor Suthers

tch/lb

*Introduction and conclusion paragraphs attributed to the attached letter, dated June 3, 2022, that Ian Speir, Partner, Nussbaum Speir Gleason, wrote on behalf of myself and The Maverick Observer.



NUSSBAUM SPEIR GLEASON

Ian Speir, Partner
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2 N. Cascade Ave., Suite 1430
Colorado Springs, CO 80903
** Licensed in Colorado*

June 3, 2022

VIA HAND DELIVERY

Special District Working Group
City of Colorado Springs
30 S. Nevada Ave., Suite 701
Colorado Springs, CO 80903

Re: Our Concerns About Special Districts and the City's Working Group

Dear Sir/Madam,

I write on behalf of Timothy C. Hoiles and The Maverick Observer. As you know, Mr. Hoiles is a member of the City's Special District Working Group and has been participating in its meetings and deliberations since inception. We are grateful for the time and attention the Working Group has dedicated to special districts and to updating the City's Special District Policy ("Policy"). Nonetheless, we continue to have serious concerns about the way special districts in Colorado Springs operate and the City's lack of oversight.

Our primary concern with special districts—particularly metropolitan districts and business improvement districts—is that they benefit private developers at the expense of the public. Developers form these districts to publicly subsidize their private development projects, a situation prone to conflicts of interest and self-dealing. Public vigilance, transparency, and oversight are critical to ensure that taxpayer funds aren't being diverted to private interests. We are disappointed, however, that the City seems unwilling to exercise necessary supervision, and we fear the proposed revisions to the Policy will reduce oversight of special districts and make these entities less democratically accountable than they already are.

Business representative Tim Leonard's recent and ongoing experience with the Interquest North Business Improvement District ("INBID") illustrates some of the problems. Mr. Leonard sued INBID, a Nor'wood-controlled special district, in May 2020 because INBID refused to disclose documents related to its expenditure of over \$15 million in taxpayer funds. INBID continues to withhold these documents, and the case is now before the Colorado Court of Appeals with oral arguments scheduled for June 2022.

- In the course of proceedings before the district court, a representative of CliftonLarsonAllen ("CLA"), INBID's management company, told the court in a sworn affidavit that certain public records requested by Mr. Leonard had been permanently deleted. This was false. After Mr. Leonard's attorney made CLA and INBID aware of the false affidavit, INBID turned over the records, and the court later ordered INBID to pay Mr. Leonard over \$40,000 in attorney fees. Yet the false affidavit was never corrected—neither CLA nor INBID withdrew the affidavit or corrected the misrepresentation.

- Not only has INBID refused to operate transparently. We believe it may be engaged in transactions that benefit Nor'wood at the expense of taxpayers and of other businesses in the district. Mr. Hoiles has raised these issues with the Working Group before. For example, INBID took ownership of the Scheels parking lot subject to a covenant that granted Scheels a significant possessory interest in the property effectively mimicking ownership. The goal appears to have been to remove the property from the tax rolls (since publicly owned property isn't taxable) so that Scheels could enjoy the benefits of ownership without the corresponding tax burden.
- As another example, persons associated with Nor'wood have purchased INBID's bonds. The problems here are twofold. First, the bonds bear interest at rates significantly above the market despite near-guaranteed sources of revenue backed by INBID's taxing power. Second, the bonds have amortization schedules that delay principal payments and allow significant interest to compound, with a series of balloon-type payments near the end of the repayment period. Skewing the amortization schedule in this way results in bondholders raking in millions in extra interest payments—an arrangement that a public entity like INBID never would agree to if it truly operated at arm's length and was focused on safeguarding the public fisc.
- Mr. Leonard has continued to press INBID, via open-records requests, for documentation pertaining to its operations and its expenditure of taxpayer funds. INBID continues to resist transparency, claiming that its public records are held by its controlling developer (Nor'wood) or in some cases not responding at all to open-records requests.

Our concerns about special districts generally and about INBID in particular inform our views about the manner in which the Working Group has conducted its activities. First, we believe membership in the group is heavily skewed toward industry insiders—persons and entities that benefit from the proliferation of special districts and the lack of public oversight.

Second, we wish to express our concern about what we regard as undue reliance on attorney Russ Dykstra (of Spencer Fane) and accountant Carrie Bartow (of CLA). Mr. Dykstra and Ms. Bartow, or their firms, financially benefit from their representation of special districts, and certain members of the Working Group have had substantial *ex parte* discussions with them in considering revisions to the Policy. And for guidance on the issuance of bonds by special districts, Working Group members have relied almost exclusively on Mr. Dykstra. The Working Group should have included an independent attorney or bond expert to counter and critique Mr. Dykstra's suggestions. And participation by an independent expert in public finance, or even employees from the City's Finance Department, would have been beneficial.

Finally, we believe the City Attorney's Office should have been more active in communicating with the Working Group. Although the City Attorney will review the Policy once finalized, the Working Group would have benefited from guidance from attorneys who are knowledgeable in this area but independent of special districts.

In the past two decades, special districts have been allowed to proliferate in Colorado Springs, saddling City residents and business with unnecessary tax and debt burdens, often without their knowledge or participation. The City should be acting as a counterweight to special district interests, and we had hoped that the Special District Working Group would be a vehicle for real reform. To our disappointment,

however, we think the Working Group simply represents more “business as usual,” and we’re concerned that the City is continuing down a path that is politically and financially unsustainable.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Ian Speir', with a stylized flourish at the end.

Ian Speir
Nussbaum Speir Gleason PLLC

David Bolin



DEEP WATER POINT COMPANY

7 July 2022

Via Email: allCouncil@springsgov.com

City Council Members
Colorado Springs
City Hall, 107 N. Nevada Ave.
Colorado Springs, CO

RE: Suggested Redline Changes in Draft Special District Policy

Dear City Council Members,

The Colorado Springs Special District Working Group has been meeting for several months to make some suggestions on revising the City's 2006 Special District Policy, however, the revisions finally suggested are hardly substantive as the significant topics of special district abuses have gone untouched, as I will enumerate below.

I am an interested party having with, for, and on various metro districts, business improvement districts, and downtown development authorities in my 38 years in commercial real estate. My work with the state legislature in the past few years specifically on special district issues and with development issues in Colorado Springs, has given me an insight I would like to share with the Council members.

Steady Revisions of Drafts

The 2022 Working Draft was publicly published on the City's website via the Agenda for the Council's Working Session on Monday 27 June, but even as late as Wed 6 July, newer versions were posted to the City Council's packet via the website. It stands to reason that accurate revisions cannot come in detail from the public as the pen of the documents rest with City staff. My comments and redlines below are from the 5 July 2022 version.

State Legislation – Proposed and Passed

In the past two legislative sessions, there has been unusually high concentration of energy and effort to address rising concerns about statewide abuses by the boards of special districts. While the focus is always on greater transparency by these quasi-governments to be more accountable to their taxpayers, much discussion surfaced around very specific abuses: developer-purchased tax-exempt bonds without competitive bidding, worthless third-party approvals, and equally worthless conflicts of interest filings with the Secretary of State by district boards members operating in their own self-interest.

Colorado Springs Effort Towards Special District Reform

If the impetus of the Council for forming a Working Group on special districts was to determine the scope and breadth of reforms, then the effort was noble and necessary. However, once the Working Group was formed by 95% of the members of those directly economically benefiting from the status quo of the special district industry, then the effort was destined to be impotent.

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TIM@DEEPWATERPOINT.NET

Special district attorneys, accountants, managers, and home builders hardly compose a group eager to reform the same self-interested conflicts they themselves tolerate or even promote. It is no wonder the group did not recommend any reforms.

Missing Reforms for Special Districts:

The state legislature heard serious and prolonged testimony and debate on several areas of the special district abuses and failed to address them due to division and complexity. Colorado Springs has an opportunity to address these, but if it “revises” its policy without resolving conflicts it will only mislead the public with window dressing.

Necessary policy revisions:

1. Prohibition on the purchase of tax-exempt district debt by a person (developer) who is a board member.

Related party privately placed debt is a recipe for abuse. Both sides of the transaction are only focused on the interests of the board member, not the taxpayer. These transactions can be rife with self-dealing.

Take a look at two of the attached pages showing amortization schedules: one is a standard schedule for a \$4.75M loan at 6.5% for 30 years. The total interest payments equal \$6.077M during the payback period.

Now take a look at the other page showing the actual bond payment schedule with the exact term and conditions: \$4.75M loan at 6.5% for 30 years. By altering the principle payments in the front years, the investor is able to receive \$7.392M of interest over the same period -- \$1.3M more interest. Double tax-exempt interest.

This is an actual BID in Colorado Springs, approved year after year by the Council for the issuance of now \$25M of taxpayer debt all purchased by the developer and board member, David Jenkins.

Many in the industry will tell the tale that without special districts, essential projects would not be built. However, some developers have all the necessary funds available to finance the development, but they choose to “lend” their project money by buying tax-exempt bonds that need an issuing governmental entity that they themselves control.

2. Third-party verifiers are a joke.

Third parties who verify construction costs or bond issuance “fairness” do not create any tension for a developer to avoid self-dealing. Engineers seldom review construction contracts and change orders, and they usually look to the developer to allocate costs between private and public improvements. They are in the habit of rubber-stamping qualified eligible costs and have not been given the disclosure by the developers to sort through bids and subcontractor’s contracts.

Similarly, external financial advisors, have so much subjective interpretation of financing costs, terms, and risk, that they mostly boilerplate their approvals. Please see the two attached pages of an external financial advisor giving a fairness approval of two different developer-purchased private bond transactions. Notice the dates of 2016 and 2020. However, the template of approval is identical. The reader would not even know that the 2016 bond issue was for \$4.7M and the 2020 bond

issue was for \$13.7M – and the district’s board member bought them both in a no-bid transaction.

If a City Council thinks that the oversight of the private bond issue is going to be by the district-hired financial advisor, then it is sorely mistaken.

3. Conflicts of Interest filings with the Secretary of State are a joke.

No matter what the issue may be on the district’s agenda, the district attorney’s files a boilerplate form with the Secretary of State stating a conflict of \$1,000. The attached two sheets show a sample of a board member of who sits on dozens of Colorado Springs’ metro districts and BIDs boards and has had over 400 conflicts filed with a majority if not all of them stating a \$1,000 conflict, even though the one shown is for the board meeting that the Board (including him) approved the issuance and his purchase of \$13M of the district’s non-bid private issued debt.

4. Interest Rate Premiums need to be percentages not basis points.

If the Council is going to make an allowance for privately purchased, but competitively bid district debt, then the risk premium needs to be stated in percentage amounts not whole basis points.

I am giving you these examples to show you tangible and concrete evidence of why and how your policy for special districts needs to be modified to reduce self-dealings.

Specific Redline Revisions:

1. In the Definition of Debt, the clause “(Debt specifically excludes Developer Funding Agreements)” needs to be removed. Even if TABOR would consider a private loan not as debt to be voted on by the taxpayer, these Developer Advances are a bound obligation by the district’s taxpayers because of the Developer Funding Agreement. Therefore, they should be disclosed as debt.

2. Added to Definitions needs to be Developer Advances. This term is mentioned three times within the Policy yet has no definition:

Developer Advances – Funds lent by the developer(s) to the District under the terms and conditions of a Developer Funding Agreement in order to provide funds for the construction of public improvement or operations and maintenance in advance of the proceeds from a bond issuance. Developer Advances are repaid from future bond proceeds.

3. External Financial Advisor needs to have added a fourth condition of no conflict of interest with the District nor any board member.

4. Privately Placed Debt – needs to have removed the reference to a related party since a separate definition encompasses related parties.

5. Related Party Privately Placed Debt – needs to be prohibited and not allowed.

6. H.5 Interest Rates: Developer Funding Agreement should have a premium cap of 20% of Index Interest Rate, not 400 basis points. Current AAA 30-Year MMD rates are

3.15% so a 400-basis point premium would increase the rate to 7.15% - a 125% increase. But as rates increase, the premium increase reduces. Setting a basis point premium is only going to have to be adjusted.

7. H.5 Interest Rates: There should be no provision for Related Party Privately Placed Debt since it should be prohibited for its inherent conflict of interest and self-dealing.

Other areas of district abuse which should be included in the City's Policy:

1. BID: The state statute allows a municipality to waive the requirement that a BID must have at least 50% commercial uses prior to its creation by the municipality. This loophole is abused by developers who ask for BIDs to be created instead of metro districts on vacant parcels. Even though BIDs were created to act as commercial associations for downtown commerce areas, cities such as Colorado Springs now use them in place of metro districts, and PIFs, marketing expenses, and corporate subsidies are abused.

The Council needs to reinstate the policy not to approve a BID which is not comprised of at least 50% commercial property.

2. BID: if a BID improves land inside its boundaries and then the developer sells the land to a residential builder, it has to be excluded, per statute, from the BID. However, the statute requires the residential property to repay the district for its proportionate share of any indebtedness outstanding at the time of exclusion. This makes sense because otherwise the parcel will burden the other commercial taxpayers for its now excluded parcel. However, developers who hold any related party privately placed bonds have found a workaround to waive the requirement to repay the proportionate share of indebtedness. In that way the seller of the land (same as the district board member and an investor of the bonds) can be spared from any debt repayment, receive a higher price for the land sale, and burden the commercial taxpayers with the full cost of public improvements for the residential parcel.

The Council needs to adopt the policy that residential parcels excluded from BIDs must repay their districts their proportionate share of the costs of public improvements without exception.

3. Metro Districts and BIDs: in both statutes for metro districts and business improvement districts (title 31 and 32), "off-street parking facilities" and "parking facilities" and are considered qualified public improvements. These definitions have strayed from being parking garages and multi-level parking structures open the general public, to surface parking lots in front big box stores. Developers abuse this by parceling retail parking lots and them selling them to the district to build and maintain on the backs of the other taxpaying entities who do not use the parking lots, and yet give special rights to the big box retailers to use them. This scheme is used by the district to subsidize larger retailers at the cost of smaller ones without taxpayer approval.

The Council needs to adopt the policy that "off-street parking facilities" and "parking facilities" are defined as multi-level parking structures open the general public

I look forward to addressing any questions at next Tuesday's public hearing.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Leonard', written in a cursive style.

Timothy J. Leonard
President

Attachments:

Sample of Related Party Privately Placed Debt amortizations
Sample of Fairness Approval Letter by an External Financial Advisor
Sample of Number of Conflict of Interest Filings and Certificate

Cc: Carl Scheuler
Bob Cope



RBC Capital Markets®

June 11, 2020

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

Re: Interquest North Business Improvement District
Limited Tax General Obligation Bond, Series 2020

Board:

As it pertains to the issuance of the Series 2020 bond by the Interquest North Business Improvement District (the "District") and the requirements set forth in the current City of Colorado Springs policy applicable to business improvement districts as well as the District's current operating plan, we do hereby certify the following:

RBC Capital Markets, LLC ("RBCCM") hereby certifies that: (1) the interest rate to be borne by the District on the Limited Tax General Obligation Bond, Series 2020 does not exceed a reasonable current tax-exempt rate, using criteria deemed appropriate by RBCCM and based upon RBCCM'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.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Wendelin'.

Thomas Wendelin
Director



RBC Capital Markets®

January 25, 2016

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

Re: Interquest North Business Improvement District
Revenue Bond6, Series 2016

Board:

As it pertains to the issuance of the Series 2016 bond by the Interquest North Business Improvement District (the "District") and the requirements set forth in the current City of Colorado Springs policy applicable to business improvement 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 interest rate to be borne by the District on the Revenue Bond, Series 2016 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.

Signature:

A handwritten signature in black ink, appearing to read 'Tom Wendelin', written over a horizontal line.

Thomas Wendelin
Director

BOND DEBT SERVICE

Intraquest North Business Improvement District
 Property Tax & PIF Revenue Bond, Series 2016
 30 Yr 50 Mth Limited Tax GO Revenues & 25 Yr 1.25% PIF Revenues
 Non Rated Bond @ 6.500% - Annual Payments
 Optional Call Date 12/1/2025 @ 100
 01/25/2016 Preliminary Numbers

Period Ending	Principal	Coupon	Interest	Debt Service	Bond Balance	Total Bond Value
12/01/2016	40,000.00	6.500%	206,483.33	246,483.33	4,725,000.00	4,725,000.00
12/01/2017	20,000.00	6.500%	307,125.00	327,125.00	4,705,000.00	4,705,000.00
12/01/2018	20,000.00	6.500%	305,825.00	325,825.00	4,685,000.00	4,685,000.00
12/01/2019	25,000.00	6.500%	304,525.00	329,525.00	4,660,000.00	4,660,000.00
12/01/2020	30,000.00	6.500%	302,900.00	332,900.00	4,630,000.00	4,630,000.00
12/01/2021	30,000.00	6.500%	300,950.00	330,950.00	4,600,000.00	4,600,000.00
12/01/2022	35,000.00	6.500%	299,000.00	334,000.00	4,565,000.00	4,565,000.00
12/01/2023	35,000.00	6.500%	296,725.00	331,725.00	4,530,000.00	4,530,000.00
12/01/2024	40,000.00	6.500%	294,450.00	334,450.00	4,490,000.00	4,490,000.00
12/01/2025	40,000.00	6.500%	291,850.00	331,850.00	4,450,000.00	4,450,000.00
12/01/2026	45,000.00	6.500%	289,250.00	334,250.00	4,405,000.00	4,405,000.00
12/01/2027	45,000.00	6.500%	286,325.00	331,325.00	4,360,000.00	4,360,000.00
12/01/2028	50,000.00	6.500%	283,400.00	333,400.00	4,310,000.00	4,310,000.00
12/01/2029	50,000.00	6.500%	280,150.00	330,150.00	4,260,000.00	4,260,000.00
12/01/2030	55,000.00	6.500%	276,900.00	331,900.00	4,205,000.00	4,205,000.00
12/01/2031	60,000.00	6.500%	273,325.00	333,325.00	4,145,000.00	4,145,000.00
12/01/2032	60,000.00	6.500%	269,425.00	329,425.00	4,085,000.00	4,085,000.00
12/01/2033	70,000.00	6.500%	265,525.00	335,525.00	4,015,000.00	4,015,000.00
12/01/2034	70,000.00	6.500%	260,975.00	330,975.00	3,945,000.00	3,945,000.00
12/01/2035	70,000.00	6.500%	256,425.00	326,425.00	3,875,000.00	3,875,000.00
12/01/2036	165,000.00	6.500%	251,875.00	416,875.00	3,710,000.00	3,710,000.00
12/01/2037	180,000.00	6.500%	241,150.00	471,150.00	3,530,000.00	3,530,000.00
12/01/2038	185,000.00	6.500%	229,450.00	414,450.00	3,345,000.00	3,345,000.00
12/01/2039	200,000.00	6.500%	217,425.00	417,425.00	3,145,000.00	3,145,000.00
12/01/2040	210,000.00	6.500%	204,425.00	414,425.00	2,935,000.00	2,935,000.00
12/01/2041	515,000.00	6.500%	190,775.00	705,775.00	2,420,000.00	2,420,000.00
12/01/2042	550,000.00	6.500%	157,500.00	707,500.00	1,870,000.00	1,870,000.00
12/01/2043	585,000.00	6.500%	121,550.00	706,550.00	1,285,000.00	1,285,000.00
12/01/2044	620,000.00	6.500%	83,525.00	703,525.00	665,000.00	665,000.00
12/01/2045	665,000.00	6.500%	43,225.00	708,225.00		
	4,765,000.00		7,392,233.33	12,157,233.33		

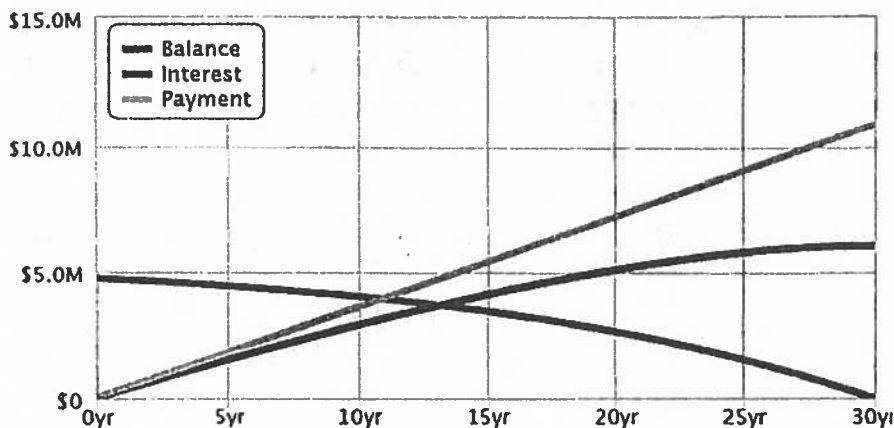
FIGURE 4

Amortization Calculator

Loan Amount
 Loan Term years
 Interest Rate (APR)

Monthly Pay: \$30,118.04
 Total of 360 Loan Payments \$10,842,494.87
 Total Interest **\$6,077,494.87**

Loan Amortization Graph



Payment Breakdown



Annual Amortization Schedule

	Beginning Balance	Interest	Principal	Ending Balance
1	\$4,765,000.00	\$308,156.88	\$53,259.60	\$4,711,740.38
2	\$4,711,740.38	\$304,589.98	\$56,826.50	\$4,654,913.87
3	\$4,654,913.87	\$300,784.22	\$60,632.26	\$4,594,281.58
4	\$4,594,281.58	\$296,723.54	\$64,692.94	\$4,529,588.63
5	\$4,529,588.63	\$292,390.94	\$69,025.54	\$4,460,563.08
6	\$4,460,563.08	\$287,768.16	\$73,648.32	\$4,386,914.75
7	\$4,386,914.75	\$282,835.81	\$78,580.67	\$4,308,334.06
8	\$4,308,334.06	\$277,573.11	\$83,843.37	\$4,224,490.68
9	\$4,224,490.68	\$271,957.97	\$89,458.51	\$4,135,032.15
10	\$4,135,032.15	\$265,966.77	\$95,449.71	\$4,039,582.42
11	\$4,039,582.42	\$259,574.32	\$101,842.16	\$3,937,740.24
12	\$3,937,740.24	\$252,753.77	\$108,662.71	\$3,829,077.51



Colorado
Secretary of State
Jena Griswold

Conflict of Interest Search Results

471 Conflict of interest filing results

#	Transaction	Last Name	First Name	District/Office	Filing Date
461	20225035561	JENKINS	David	NORTH MEADOW METROPOLITAN DISTRICT NOS. 1-5	2022-03-20T09:56:53.000Z
462	20225037956	JENKINS	David	Freestyle Metropolitan District Nos. 1-4	2022-03-27T08:36:16.000Z
463	20225037959	Jenkins	David	North Meadow Metropolitan District Nos. 1-5	2022-03-27T08:39:37.000Z
464	20225037965	JENKINS	David	Meadoworks Metropolitan District Nos. 1-5	2022-03-27T08:46:21.000Z
465	20225037968	JENKINS	David	Old Ranch Metro District, Upper Cottonwood Creek Metro Districts and Nos. 2-5	2022-03-27T08:52:38.000Z
466	20225056677	Jenkins	David	FREESTYLE	2022-05-

[^ Top](#)

				METROPOLITAN DISTRICT NOS. 1-4	08T22:16:04.000Z
467	20225056680	JENKINS	David	NORTH MEADOW METROPOLITAN DISTRICT NOS. 1-5	2022-05-08T22:20:09.000Z
468	20225056686	JENKINS	David	MEADOWWORKS METROPOLITAN DISTRICT NOS. 1-5	2022-05-08T22:26:43.000Z
469	20225070090	Jenkins	David	FREESTYLE METROPOLITAN DISTRICT NOS. 1-4	2022-06-18T22:57:29.000Z
470	20225070092	JENKINS	DAVID	Meadoworks Metropolitan District Nos. 1-5	2022-06-18T23:00:04.000Z
471	20225070095	Jenkins	David	NORTH MEADOW METROPOLITAN DISTRICT NOS. 1-5	2022-06-18T23:06:56.000Z

OFFICE OF THE SECRETARY OF STATE
OF THE STATE OF COLORADO
CERTIFICATE

20205111396

I, Jena Griswold, as the Secretary of State of the State of Colorado, hereby certify that, according to the records of this office,

DAVID JENKINS
DIRECTOR
INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT

has disclosed and filed a Conflict of Interest with this office in accordance with section 24-18-110, C.R.S., and Rule 1.1 of the Secretary of State's Rules Concerning Conflicts of Interest.

The Conflict of Interest Disclosure was filed with the following information:

Amount of Financial Interest (if any): 1000

Purpose and Duration of Services Rendered: Additional information was filed as an attachment.

Other Relevant Information: The amount of financial interest may be more or less than the amount listed above. For more information, please see the attachment to this form as well as any conflict of interest form and/or transac...

This certificate reflects facts established or disclosed by documents electronically filed in this office on 09/04/2020 12:54:32 PM.

I have affixed hereto the Great Seal of the State of Colorado and duly generated, executed, authenticated, issued, delivered and communicated this official certificate at Denver, Colorado on Thursday, July 07, 2022 01:25:45 PM pursuant to and in accordance with applicable law.



Secretary of State of the State of Colorado

Notice: A certificate issued electronically from the Colorado Secretary of State's website is fully and immediately valid and effective.

Schueler, Carl

From: Jill Gaebler <jillgaebler@gmail.com>
Sent: Tuesday, July 12, 2022 9:04 AM
To: Doug Stimple
Cc: Strand, Tom; Wayne Williams; Henjum, Nancy; Murray, Bill; Avila, Yolanda; Fortune, Stephannie; OMalley, Mike (Council Member); Donelson, Dave; Helms, Randy; Schueler, Carl; Hoff, Carly; Friedman, Samuel; Montgomery, Michael G; Evans, Emily S.; Greene, Jeff H.; Marla -HBA Novak; Renee Zentz
Subject: Re: Special District and Police and Fire Fees

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Hi Doug,

Thanks for this note. I fear I did not accurately articulate my perspective on the proposed special district fees, as I am not opposed to the increases to the mil levy caps. In fact, it's just the opposite. I support all fees that ensure the cost of development/growth is funded by new homeowners/developments and not by existing residents. This is why I support a 100% cost recovery for police and fire fees in the support new growth. I assume it's the details that are complicated, as I agree with you that it would be wrong to fund all new police and fire capital projects with this fee.

I have always appreciated our developers' voices on these issues and know these voices ensure fairness and reason in the development process. We live in a beautiful city that is growing quickly, which makes it so important that our city leaders create strong, foundational polices that support growth that ensures fiscal longevity and prosperity. My hope is that together you can find this balance as you weigh these decisions at today's council meeting.

My best to all of you.

Jill Gaebler

On Jul 12, 2022, at 8:14 AM, Douglas Stimple <DouglasS@classichomes.com> wrote:

Jill: Your email is disappointing. It's clear you don't have a true appreciation for the purpose and efficiency of special district financing. Initially, let me start with the fact that all of us in the development business would prefer not to have to use special districts. Anything which makes the cost of owning a home more expensive is not desirable. Unfortunately, they are a necessary evil in light of the impacts of TABOR over time, the fact that more and more development costs are pushed onto the developer and then onto the next homeowner and the fact that these costs are rising dramatically (last year over 30% increase). Your example below fails to address a few key points. When a developer tries to finance a road, a sewer line, a water line or a park, there is no collateral value to a bank. We build the relevant infrastructure and most often end up dedicating it to the municipality. It's not something we own like a house and, therefore, to a bank it has no collateral value, i.e. you can't borrow against it since we give it away.

So how do you pay for such things? One way, is you put in or attract equity. Equity is the most expensive manner of paying for infrastructure. No-one will give you equity to put into your land and lot deal without the prospect of a fairly high rate of return. Our experience from our institutional investors from whom we have raised equity in the past is they target a return in excess of 20%. That may sound high to you and me, but the market sets this rate and the market votes not to invest in fairly risky

ventures without the prospect of a fairly high rate of return. So if you attract equity, the cost of the equity goes into the cost of the lot and house and it's more expensive than debt financing. You also can attempt to obtain bank financing to pay for the infrastructure. Debt is cheaper but often not available for the reasons cited above. Banks will only loan against tangible collateral, so collateral that is dedicated to a City most often doesn't meet that criterion.

The common way to pay for it is through special district financing. District financing is much cheaper than equity and a slight premium to bank financing. Our experience is that we try to have our district pay for about 50% of eligible development costs. If a lot costs \$100,000 to develop, over time we hope a given district may be able to pay for \$50,000 of that. I understand your math below but it doesn't appropriately show why district financing is beneficial. Let's say with district financing I can charge \$100,000 for a lot, which gets included in a home. Without district financing, I have to charge \$150,000 for that lot. If you put \$100,000 for the lot into a 30 year, 5% mortgage, it costs \$536 per month. In other words, of whatever your house payment is, \$536 is directly attributable to the cost of the lot. If I now put that lot in at \$150,000 (because I don't have district financing), the lot under the same mortgage assumptions now costs \$805 per month. Thus, you pay \$269 more per month in your mortgage directly attributable to the cost of the lot (\$3228 per year more). Compare those numbers to your analysis below. District financing is more efficient PLUS by lowering your ultimate house cost by \$50,000 in my example, more people now qualify to obtain a loan for the house. There are additional benefits of district financing (such as it can make a project viable and capable of being brought to market that otherwise would not – thus helping to alleviate our low supply problem) which I would be happy to discuss in more detail if you are truly interested in understanding.

I object to your "developers complain loudly" about fee increases. Fee increases directly affect housing costs. For every dollar of fee increase, you see a corresponding rise in house prices by +/- \$1.25. This year alone we have seen a water resource fee (which will ultimately be in excess of \$5000 per house) and now a police/fire impact fee. Rather than complaining about it, a number of us worked diligently with CSU and City Staff to understand the goals behind these fees since these 2 fees alone will now add roughly \$7500 to the cost of every new home in Colorado Springs. Ultimately, the industry did not object to the water resource fee. Focusing solely on the police and fire fee, were you aware that the initial proposal from the City was to put 100% of all future capital needs onto new homeowners? We strenuously objected to that notion. How is that fair in light of the fact that 100% of all existing capital has been paid for from the general fund and PSST? Why go from 0% to 100% overnight? How is that justified? The proposal includes items of questionable "capital" (cost of radios and IT) and capital items that will not be needed for many decades, if ever.

Our industry often is the voice of the voiceless; people who are not present in Colorado Springs today. That includes not just future residents but our children. We are committed to trying to preserve home ownership as an affordable way to enter the economic mainstream of life. It is all too easy to just dump costs on the unrepresented. So we dig in and question. We give many hours of our time and expertise to attempt to ensure transparency and fairness in these proposals. We virtually never say a flat out "no"; we almost always ask "how did you arrive at your conclusion, what is the data to support it and is it fair".

Personally, I see no justification for the 70% target for the impact fee. I would like to just see a reasonable fee adopted without reliance on a questionable methodology. That way when future councils want to increase it (and we all know they will) we will be talking about why the increase is justified, rather than arguing about what constitutes capital, why 70% is the right number, etc.

I'd be happy to discuss further but given the fact that your letter was distributed widely I felt compelled to respond. The views expressed herein are not attributable to HBA generally; they are my personal viewpoints based upon 30 years of experience in this industry. Thanks for listening.

Doug
Douglas Stimple
CEO Classic Companies
Main: 719 592 9333
Direct: 719 785 3284
Fax: 719 457 1442
CLASSIC HOMES | 2138 Flying Horse Club Dr., Colorado Springs, CO 80921

<image001.png>

From: Jill Gaebler <jillgaebler@gmail.com>
Sent: Monday, July 11, 2022 10:11 AM
To: Strand, Tom <Tom.Strand@coloradosprings.gov>; Wayne Williams <waynewilliamslaw@comcast.net>; Henjum, Nancy <Nancy.Henjum@coloradosprings.gov>; Murray, Bill <Bill.Murray@coloradosprings.gov>; Avila, Yolanda <Yolanda.Avila@coloradosprings.gov>; Fortune, Stephannie <Stephannie.Fortune@coloradosprings.gov>; OMalley, Mike (Council Member) <Mike.OMalley@coloradosprings.gov>; Donelson, Dave <Dave.Donelson@coloradosprings.gov>; Helms, Randy <Randy.Helms@coloradosprings.gov>
Cc: Schueler, Carl <Carl.Schueler@coloradosprings.gov>; Hoff, Carly <Carly.Hoff@coloradosprings.gov>; Friedman, Samuel <Samuel.Friedman@coloradosprings.gov>; Montgomery, Michael G <Michael.Montgomery@coloradosprings.gov>; Evans, Emily S. <Emily.Evans@coloradosprings.gov>
Subject: Special District Taxes versus Police and Fire Impact Fees

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Dear Honorable City Council Members,

As you thoughtfully prepare for Tuesday's council meeting, I humbly ask you to consider the following:

Local developers are concerned about the proposed increase to the city's Police and Fire Impact Fees as it will increase the cost of housing. This new one-time fee, even with a 100% cost recovery, which is desperately needed to keep our city safe as it grows, will dwarf the increased cost to housing/housing affordability caused by the proposed increase to the residential mil levy debt cap (Item 11.B on the July 12 council meeting agenda) from 44 mils to 70 mils. Developers strongly support this tax increase that will be paid by new residents through their property taxes.

A homeowner with a home valued at \$500,000 currently pays around \$1,800 for special district fees, using the current cap of 44 mils. The proposed special district mil levy cap of 70 mils (which is a 59% increase over the current 44 mils) will increase this same resident's mil levy by \$1,062 for a total new yearly payment of \$2,862.

So while the developers complain loudly about the proposed one-time fee increase for much needed police and fire capital projects, they are quietly supporting a 59% increase in the mil levy that will be paid by every new homeowner in Colorado Springs...each and every year for the next 40 years.

This irony should not be lost on you as you consider these important decisions on tomorrow's agenda.

My best to each of you.

Jill Gaebler
719-229-0028