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July 1, 2020

VIA E-MAIL

Carl Schueler
Comprehensive Planning Manager
City Administration Building
30 S. Nevada Ave., Suite 101
Colorado Springs, Colorado 80901
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**Re: Revised Supplement to Service Plan Application - (Proposed) Reagan Ranch
District Nos. 1 - 3**

Dear Mr. Schueler:

On behalf of The Equity Group LLC (“Petitioner”), we would like to supplement our submittal materials for the (Proposed) Reagan Ranch Metropolitan District Nos. 1 - 3 (collectively, the “Districts”) following discussions with City Staff and the Budget Committee. In this letter, we summarize the revisions to the Service Plan and we provide an explanation of the structure of development expected to occur within the Districts as well as the anticipated costs of the public improvements the Districts are expected to incur as a result. Below is an outline of the topics discussed at the Budget Committee meeting on June 9, 2020 and our corresponding comments and revisions.

1. Vicinity Map Revision

The Vicinity Map for District No. 3 did not include the commercial property to the east of Marksheffel Road, which is now included.

2. Total Debt Issuance Limitation Modification

Due to the nature of the regional public improvements to support the overall development, it has been proposed that the Service Plan identify a total debt issuance limitation for each District instead of a combined total. In addition, as the Petitioner has identified certain parcels outside of the Initial District Boundaries that are likely to be included within the boundaries of District Nos. 2 and 3 in the future, it has been proposed that the Service Plan allow for an increase in the total debt issuance limitation for District Nos. 2 and 3 upon the inclusion of such property into the respective District’s boundaries. This flexibility will address the Districts’ subsequent need for

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additional financing capacity for public improvements to serve the future inclusion. We have modified Section V.A.10 of the Service Plan to reflect these recommendations.

We have enclosed with this letter additional information to support the requested total debt issuance limitations as they pertain to each District, the proportional regional improvement requirements for District Nos. 1 and 2, and the future incremental needs of District Nos. 2 and 3. After reducing the contingency to 15%, the total estimated public improvements costs for the entire project is \$125,974,872 and the costs represented in the Public Improvement Cost Summaries have been reviewed by the civil engineering firm, Matrix Design Group. We have also enclosed a map of the major off-site public improvements to further demonstrate the conditions of this project.

First, the Public Improvement Table identifies the estimated public improvement costs within each District's initial boundaries ("Initial Inclusions"). Detailed summaries of the Initial Inclusions cost estimates for each District are enclosed.

Second, the Public Improvement Table identifies the public improvement costs District Nos. 1 and 2 will incur for the regional public improvements those Districts are anticipated to construct ("Regional Costs"). For District No. 1, the entire Regional Costs will be allocated to the property initially included within District No. 1's boundaries - the Initial Inclusions - and District No. 2 will allocate 40% of the Regional Costs to the Initial Inclusions and 60% to the Future Inclusions. Detailed summaries of the Regional Costs for District Nos. 1 and 2 are also enclosed. The regional public improvements District No. 1 is anticipated to provide include the north lift station, removal/replacement of Space Village Avenue, street development, and utility corridor overlot grading, with a total estimated cost of \$27,583,268. The regional public improvements District No. 2 is anticipated to provide include the south lift station and force main to the north lift station interceptor, with a total estimated cost of \$34,015,603 (together with the Initial Inclusion costs). Although the cost of the District No. 2 regional public improvements is allocated 40% to the Initial Inclusions and 60% to the Future Inclusions, the needs of the project require the regional public improvements be constructed at the start of development.

Third, the Public Improvement Table identifies the public improvement costs District Nos. 2 and 3 will incur for the property included within the boundaries of District Nos. 2 and 3 in the future ("Future Inclusions"). Detailed summaries of the Future Inclusions cost estimates for District Nos. 2 and 3 are enclosed.

Finally, the costs for electrical distribution identified in the detailed summaries are limited to such electrical distribution needed to serve public improvements only.

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3. CSU

The Budget Committee has requested that the Petitioner provide support and reflection of consistency between what is planned and CSU plans. At this point of planning, discussions are on-going with CSU regarding the construction and function of the utilities to serve the project. All District facilities and operations will be in compliance with CSU standards and anticipated agreements regarding the project.

4. Additional Changes to Service Plan

- a. We clarified in Article III that the boundaries among the Districts, i.e., within the Service Area, may change pursuant to Section 32-1-401, *et seq.*, C.R.S., and Section 32-1-501, *et seq.*, C.R.S.
- b. We added language to Section V.A.3 that if a District enters into a reimbursement agreement pursuant to which the District is reimbursed funds from other developers, the use of such shall funds shall be limited to repaying and refunding outstanding bonds or debt.
- c. The initial boundaries of District No. 1 have been modified to reflect the current the properties District No. 1 is anticipated to serve in the near future, including the elimination of the Powers Dairy parcel as a future inclusion area. The Powers Dairy parcel will remain as future inclusion area for District No. 2.
- d. We revised Exhibit D to reflect to add maintenance responsibility of stormwater facilities and District potential operation and maintenance of lift stations if required by agreements with CSU.
- e. The example tax calculation in Exhibit E is revised to reflect a \$450,000 home value instead of \$250,000.

5. Satisfaction of Statutory Criteria

The Service Plan establishes the four criteria required by Section 32-1-203(2), C.R.S., and Section 122-35 of the City Code, as well as the five additional discretionary factors pursuant to Section 32-1-203(2), C.R.S. Below is a summary of how the Service Plan meetings the four required criteria.

- A. There is sufficient existing and projected need for organized service in the area to be serviced by the Districts.



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The purpose of the Districts is to finance and construct certain public improvements and to provide other additional services necessary to support the Reagan Ranch project, including regional improvements. The proposed improvements and services are not available to the community through the City or other existing quasi-municipal corporations, including special districts, within a reasonable time and on a comparable basis.

- B. The existing service in the area to be served by the Districts is inadequate for present and projected needs.

The proposed improvements and services are not and will not be available to the community through the City or other existing quasi-municipal corporations, including special districts, within a reasonable time and on a comparable basis.

- C. The Districts are capable of providing economical and sufficient service to the area within its proposed boundaries.

The formation of the Districts will ensure that the public improvements and other services are sufficient and constructed within a reasonable period of time for the benefit of the property owners located in the community. In addition, the public financing tools available to the Districts will help lower the costs of constructing the public improvements, including the regional improvements.

- D. The area to be included in the Districts does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.

The estimated costs of the improvements and facilities to be constructed, installed, and/or acquired by the Districts are set forth in the Service Plan and the enclosures to this letter. 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.



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Thank you for your time and consideration of this supplement to our initial submittal. Please let us know if you have any questions or require additional information. We look forward to continuing to work with you in the formation of the Districts.

Best regards,

/s/ Russell Dykstra

Russell Dykstra

Enclosures