



Memorandum

To: City of Colorado Springs

From: David S. O'Leary Esq. and Patrick Hrbacek, Esq., Spencer Fane LLP

Re: Updated Executive Summary for Proposed The Ridge at Sand Creek Metropolitan District

Date: November 7, 2019

The proposed formation of The Ridge at Sand Creek Metropolitan District (the "District") encompasses the land generally located to the South and East of the intersection of Galley Road and Babcock Road, and is estimated to include approximately 19.18 acres of land in its initial boundaries including exclusively residential development, all entirely within the boundaries of the City of Colorado Springs (the "City").

The District is proposed to provide 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 City, for consideration on the next possible public hearing of the City Council in order to meet the requirements of a formation election in November 2019.

It is the intention of the Developer of the project that public improvements for the project will be advanced and reimbursed by the District to the extent there is financial feasibility to do so. Those public improvements that cannot be financed through the District shall be paid for by the Developer. It is not the current intent to utilize a Homeowners' Association ("HOA"), rather, the District will be providing for ongoing operations and maintenance. Those costs and expenses of all HOA type functions are intended to be provided through an O&M Mill levy not anticipated to exceed 10 mills, inclusive of operations and maintenance of design review, covenant enforcement and all HOA type activities permitted by statute.

The owners of the property are Love in Action, a Colorado nonprofit corporation and Pikes Peak Habitat for Humanity, Inc., a Colorado nonprofit corporation. Preparation of the Financing Plan was provided by Stifel, Nicolaus & Company, Incorporated ("Stifel"). The Developer of the Ridge at Sand Creek community is Eagle Development Company. Construction cost estimates were assembled by the Developer with consultation with the District Engineer, M&S Civil Consultants, Inc., which has experience in the costing and construction of similar facilities.

Developer representatives will make up the initial District Board in order to develop the area in accordance with approved development plans with the City. The new District will help pay for and structure the financing of public improvements and to make the lots and the property permit ready and will help absorb finished lots, homes and commercial property into the City tax base.

I. Major Service Plan Points for The Ridge at Sand Creek Metropolitan District.

- Approximately 19.18 acres of property in the initial boundaries within the City of Colorado Springs.



- Completion of over \$2,655,703 of on and off-site public improvements including, but not limited to on and offsite streets, roadway, water and sanitary sewer improvements.
- Anticipated development of approximately 90 single family homes.
- The estimated assessed value at full build-out is \$2,817,468.
- The estimated cost of the public improvements needed for the project is \$2,655,703 which is needed for development of the property within the District.
- Public Improvements need additional financing from the District 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 Development.
- Maximum Mill Levy of 40 mills inclusive of both debt and operations and administration is proposed.
- Total projected mill levy of 30 mills for debt and 10 mills for operations and maintenance allows for financing of \$1,405,000 based upon initial financial plan estimates, which constitutes approximately 53% of the improvement costs estimated for the project.
- Requested Debt Authorization of \$3,325,000 allows for approximately 125% coverage to allow for contingencies and financing variations based upon changes to construction costs, development build out and absorption of the project.
- Capital Improvements needed for the Development of the project will remain the responsibility of the Developer through approved development plans entered into between the Developer and the City.
- District Operations will include those operations typically provided by an HOA (covenant enforcement, design review, etc.) as well as operations and administration of all public improvements not otherwise dedicated to the City or other public entity for ownership, operation and maintenance.
- Maximum voted interest rate of 12%, maximum underwriting discount of 5%.
- Metropolitan district powers allowed by the Special District Act and consistent with other City of Colorado Springs metropolitan districts.
- Formation Election after approval of the Service Plan in May 2020.
- There are no current residents within the District and no debt or bonds have been issued.
- Mill levies, interest rate limitations and underwriting discounts will be consistent with the present City imposed limitations with other service plans approved by the City.
- Maximum term of any bond issue is 40 years for General Obligation Bonds.



- The Ridge at Sand Creek Metropolitan District shall develop and finance its own property.

II. Statutory Criteria.

The creation of the District is consistent with the statutory criteria generally outlined in C.R.S. 32-1-203:

- A) There is sufficient existing and projected need for organized service in the area to be serviced by the proposed District. As part of the project, the Developer will be constructing and installing a number of public improvements including, but not limited to, streets and drainage improvements, in connection with development of approximately 90 lots for single family homes. Creation of the District will allow for a more efficient and cost-effective development process and this establishes a sufficient need for the District.
- B) The existing service in the area to be served by the proposed District is inadequate for present and projected needs. At the present time, the Developer remains primarily responsible for all development costs associated with the project. Formation of the District is intended to allow the Developer to offset a portion of such costs with the hope of keeping the ultimate costs to the end user competitive with the market.
- C) The proposed District is capable of providing economical and sufficient service to the area within the proposed boundaries. Based on the financial plan information prepared by Stifel, the District has the ability to provide services within the proposed service area in a more efficient and cost-effective way than if there were no district.
- D) The area to be included in the proposed District has, or will have, the financial ability to discharge the proposed indebtedness on a reasonable basis. Based on the financial plan information prepared by Stifel, the District will have the ability to discharge the proposed indebtedness on a reasonable basis. In particular, the financial plan assumes a 30-year repayment period utilizing the debt mill levy contemplated by the service plan (30 mills). Additionally, the anticipated build-out period projects the first 45 units to be completed in 2020 and the remaining 45 units completed in 2021. The assumptions are reasonable based upon current market conditions and demand.
- E) Adequate service is not, or will not be, available to the proposed District area through the City or through El Paso County or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis. As noted above, the Developer has the primary responsibility to finance and undertake the development work necessary to complete the project. Formation of the District is the most efficient and cost-effective tool to accomplish the project.
- F) The facility and service standards of the proposed District are compatible with the facility and service standards of the City, as well as El Paso County (the sole county within which the proposed District is to be located). The Developer must comply with City, and other applicable, planning guidelines and requirements as it moves forward in the development process.
- G) Based on all of the foregoing, the creation of the proposed District will be in the best interests of the area proposed to be served by the District. As illustrated above, all of the statutory criteria outlined in C.R.S. 32-1-203 will be satisfied by the creation of the proposed District.



The Ridge at Sand Creek Metropolitan District Service Plan will serve the best interests of the taxpayers, property owners and development of the property within the Ridge at Sand Creek development, will minimize non-interested party obligations, and will maximize both development and absorption within the District and City without delays in development. The formation of the District will allow for financing and development to pay for only those improvements and costs which are a direct benefit to the property within the District.

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