



Woodmen Heights Metropolitan District

April 1, 2014

Via Email

Carl Schueler, AICP
Comprehensive Planning Lead
City of Colorado Springs
Land Use Review Division
30 S. Nevada, Suite 105, MC 155

Re: "C" Bonds – Second Subordinate Component of the Series 2012 Woodmen Heights Metropolitan Districts 1-3 Bond Restructure.

Dear Carl,

As you know the Woodmen Heights Metro Districts requested and received City consent for the 2012 bond refinancing consisting of three (3) series: senior Series 2012 A, subordinate 2012 B and second subordinate 2012 C. The City's consent resolution contained a condition that the consent was good for one (1) year and if any of the three (3) series were not issued during that time, then subsequent consent would be needed. Series A and B were issued in 2012, but the second subordinate Series C bonds have yet to be issued and the Districts are requesting an extension to issue the Series C Bonds due to the subsequent events:

In the spring of 2012, Woodmen Heights Metro District restructured its 2005 Bonds. The 2005 Bonds were exchanged for Series 2012A senior bond (issued for \$6,700,000 at a 6% interest rate) and the Series 2012B subordinate bond (issued for \$24,025,872 at a 7.3% interest rate). The blended interest rate on the two issuances matched the interest rate on the 2005 bonds at just under 7%. Both series have a final maturity of 2041 (but show repayment under the updated King & Associates development assumptions by 2037, the same time frame as the currently outstanding bonds).

The benefits of the restructuring plan were as follows:

1. The refunding plan allows the District to pay restructured debt at the mill levy cap based on objective, third-party development projections. This has the benefit of eliminating the perception among prospective homeowners and commercial property owners that the District is not solvent, which should improve sales of homes and land within the District (adding to District revenues over time).
2. Another benefit of the refinancing is changing the nature of the debt so that the District has the ability to refinance out of its higher interest rate subordinate debt sooner than if the debt remained combined in a single issuance. This will lower the cost of borrowing for the District significantly over time.

455 E. Pikes Peak Avenue, Suite 308

Colorado Springs, CO 80903

(719) 447-1777

3. A third benefit is additional revenue to the District from the renegotiation of the PILOT agreement with The Center for Strategic Ministry (Woodmen Valley Chapel) that will add roughly \$5.7 million in pledged revenue to the bonds over time.

Exposure to residents are contained by keeping the 30 debt service mill cap in place for debt and continuing to restrict the imposition of a residential mill levy beyond 2045 (although the bonds are projected to be repaid by 2041).

Part of the restructuring has always included issuing the second subordinate Series C bonds to various private parties as reimbursement of amounts advanced/incurred to build public improvements for the Districts that were not financed by the Series 2005 Bonds. The C bonds will be subject to the same 30 debt service mill cap as the District's other debt, but will sit in a second subordinate position thereto.

To date, the District has made progress with, but has yet to finalize the issuance of the C bonds. This is due to several internal measures necessary to validate the eligibility of the completed C bond public infrastructure costs and to allow completion of a portion of the remaining C Bond public infrastructure.

The City's original 2012 bond restructure consent/approval resolution provided for a one (1) year period to issue the bonds, and to seek renewed consent/approval for any bonds that were not able to be issued in that time frame. Therefore, the Districts are requesting renewed consent/approval (i.e. an extension) to issue the Series C Bonds until April 1, 2015 in order to comply with the internal C Bond public infrastructure cost verification and completion matters. Please advise if you need more info on this matter.

Sincerely,



Terry Schooler
District Manager