

Upon recording return to:

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**GENERAL DISCLOSURE AND COMMON QUESTIONS REGARDING  
SILVER HAWK METROPOLITAN DISTRICTS  
CITY OF COLORADO SPRINGS, EL PASO COUNTY, COLORADO**

**1. What is a special district and what does it do?**

Colorado special districts are local governments just as municipalities and counties are considered local governments. Often, municipalities and counties are limited by law and other factors as to the services they may provide. Therefore, special districts are formed to provide necessary public services that the municipality or county cannot otherwise provide.

Silver Hawk Metropolitan District (the “District”) was, or is expected to be, organized pursuant to Orders of the El Paso County District Court following an election in November 2016 at which time a majority of the eligible electors voted in favor of the formation of the District, elected members to the initial board of directors and voted in favor of certain tax and debt authorization.

The District is a quasi-municipal governmental entity with the power to impose property taxes and other fees and charges for services within its boundaries. Legal descriptions and a map of the District are attached hereto as Exhibit “A.” The District is governed by an elected board of directors made up of property owners from each district. The District is an independent unit of local government, separate and distinct from the City of Colorado Springs (the “City”), within which the District is located. Pursuant to the Service Plan for Silver Hawk Metropolitan District (the “Service Plan”) approved by the City, the District has the ability and responsibility for constructing major public improvements including, but not limited to park and recreation, water, drainage, wastewater and street improvements within its boundaries. The District is required to dedicate certain public improvements upon completion to the City (drainage, open space, parks and trails, streets and roadways) to any applicable Water and Sanitation District (sanitary sewer and water improvements) or to a property owners association in accordance with requirements of the City and Approved Development Plans. The District does not have the authority to own, operate and maintain public improvements other than prior to dedication and acceptance to the City, any applicable Water and Sanitation District or a property owners association without the written consent and approval of the City. If the District is permitted by the City to operate and maintain such facilities, the expense associated with such activity may be paid from the District’s tax revenues and/or fees lawfully imposed by the District.

**2. May the District Impose Fees Upon Me as a Property Owner?**

Special Districts are governmental entities, and have the power to impose property taxes and to adopt and charge fees, rates, tolls, penalties, or charges for services including but not limited to general administrative, operations and maintenance services. All District fees and rates may be

adopted and/or amended from time to time by the District's board of directors at their discretion, as permitted by law and pursuant to the provisions of the Service Plan.

In addition to limitations imposed by law, market constraints require that fees within the District be comparable to fees in competing development areas in order to further the community as an attractive place for individuals to buy homes. Therefore, it is in the best interest to maintain fees in the District comparable to the total fees paid in other similar communities so that the fees paid for the amenities and services in the District is a good value.

A homeowners association is separate and distinct from the special districts, and is generally responsible for reviewing architectural plans for the construction of new homes and enforcing restrictive covenants in the community to help maintain property values. The homeowners association is normally responsible for the maintenance and operation of the common areas and other landscaping within a community and may assess dues to its members but has no ability to impose taxes.

**3. How much property tax will the District collect to construct improvements and pay for operations and maintenance?**

The District has the authority to impose property taxes for all of the activities identified in its "Service Plan," a copy of which is on file with the City of Colorado Springs, Colorado and which is available to prospective purchasers. The District may issue bonds to provide for the costs of capital improvements within its boundaries. Once the bonds are sold, they must be repaid over time with interest. The maximum repayment period for the bonds is forty (40) years. The annual payment on the bonds is known as "debt service." In order to meet the debt service requirements for the bonds, and to pay operations and maintenance costs associated with the provision of services and district administration and operating costs, the District will impose mill levies as limited under the Service Plan.

All District bonds or other obligations of which the District has promised to impose an *ad valorem* property tax mill levy (the "Debt") is expected to be repaid by taxes imposed and collected for no longer than the Maximum Debt Mill Levy Imposition Term for residential properties (40 years after the initial imposition of such mill levy) and no higher than the Residential Maximum Debt Mill Levy (30 mills) or than the Commercial Maximum Debt Mill Levy (50 mills) for property within the District. Such mill levies may be "Gallagherized" or adjusted from a Levy of 30/50 mills that existed on January 1, 2016 if, on or after January 1, 2016, there have been or will be changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such Debt may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted for changes occurring after January 1, 2016, are neither diminished nor enhanced as a result of such changes.

Market constraints also require that the mill levy within the District be comparable to mill levies in competing development areas in order to further the community as an attractive place for individuals to buy homes. Therefore, it is in both the District's and the project developer's best interest to maintain mill levies in the District comparable to the total property taxes paid in other similar communities so that the property taxes paid for the amenities and services in the District is a good value.

It is the intent of the District to dissolve upon payment or defeasance of all Debt incurred or upon a court determination that adequate provision has been made for the payment of all Debt, and if any District has authorized operating functions under an intergovernmental agreement with the City, to retain only the power necessary to impose and collect taxes or fees to pay for these costs.

**4. Why are special districts used for financing public infrastructure?**

Many areas in Colorado utilize special districts to finance public improvements. Homeowners often are surprised to find that they have lived for years in water and sanitation districts, or other types of special districts. Since cities and counties typically do not provide for construction or installation of water and wastewater systems, roads, or recreation facilities in new communities, special districts are organized to build these facilities. Special districts and the financial powers they utilize permit early construction of recreation facilities and other amenities for the benefit of the community. Where special districts are established, the costs of public improvements within the community are generally spread over 20 to 30 years and are paid from mill levies which, under current tax laws, may result in federal income tax benefits.

**5. What limitations exist to make sure the District does not issue too many bonds and create unreasonably high mill levies?**

All general obligation bonds anticipated to be issued by the District will be governed by the controls adopted by the Colorado legislature and governing the process by which bonds are issued by special districts. In addition, the Service Plan includes a debt limit, a Residential Maximum Debt Mill Levy, and Maximum Debt Mill Levy Imposition Term. The Maximum Debt Mill Levy that may be assessed by the District is 30 mills for residential property and 50 mills for commercial property subject to adjustment to account for changes in state law with respect to the assessment of property for taxation purposes, the ratio for determining assessed valuation, or other similar matters. The adjustment allows for tax revenues to be realized by the District in an equivalent amount as would have been realized by the District based on a levy of mills assessed and adjusted since January 1, 2016 as appropriate absent any change in the manner of the assessment of property for taxation purposes, the ratio for determining assessed valuation, or other similar matters.

In addition, various voter limitations exist which affect the taxing powers of the District, including maximum annual taxing limitations and expenditure limitations. The TABOR Amendment, Article X, Section 20 of the Colorado Constitution, also provides for various legal limitations which may restrict the taxing and spending authority of the District.

The mill levies expected in the District are reasonable and comparable to other developments served by special districts that provide similar services and amenities. The debt limit and the mill levy cap will remain in place for general obligation limited tax bonds issued by the District. Additionally, the City of Colorado Springs limits all new special districts to the same mill levy limitations as the District. These limits, as well as others existing under Colorado law and various voter approvals, are believed to be adequate to control the tax levels within the District.

Market constraints on property sales by the developer also require that the mill levy within the District be comparable to mill levies in competing development areas in order to further the community as an attractive place for individuals to buy homes. Therefore, in the initial stages of the development, it is in both the District's and the project developer's best interest to maintain a mill levy in the District comparable to the total property taxes in other similar communities so that the property taxes paid for the amenities and services in the District are a good value.

**6. Who bears the risk that the community may not fully develop?**

During the early stages of development, the developer of the project will be providing necessary funding and advancing funds to the District to pay for the public infrastructure construction costs and operational needs. The developer advances will be reimbursed at the time the District is able to issue general obligation, limited tax bonds. Property taxes paid and collected within the District will help pay the costs of all bonds. Therefore, if the actual build-out that occurs is less than what is projected, the individual property owners will not experience an increase in their tax obligations to the District beyond the limits described herein. The limited mill levy will be assessed the same on each home and other taxable property in the District regardless of the number of taxable structures. This results in the risk of development being shared by bondholders and the developer. The property owners also share risk relative to the bonds, but this risk is limited as discussed above.

**7. What will the tax bill look like, and what are the various taxes used for?**

It is anticipated that the tax bill for individual properties will show mill levies for El Paso County, the City of Colorado Springs, school districts and various other public service providers, including the District. Colorado municipalities certify their mill levies on an annual basis, so the most accurate manner of ascertaining the specific taxing entities and current total and overlapping mill levy on any property is to directly contact the County Treasurer and Assessor. Attached hereto as Exhibit "B" is a general formula for the manner in which residential property in Colorado is assessed.

In summary, it is anticipated that the total mill levy charged to properties within the boundaries of the District will be comparable to those of surrounding, similar communities.

**8. Where can one get additional information regarding the District?**

This document is not intended to address all issues associated with special districts generally or with the District specifically. More information may be obtained by contacting the District's general counsel, Spencer Fane LLP, 1700 Lincoln Street, Ste. 2000, Denver, Colorado 80203, (303) 839-3800; the Colorado Department of Local Affairs, (303) 864-7720; or by attending District meetings. The District holds special meetings on an as needed basis. The District is also required to keep minutes and other records that are open for inspection by any citizen, hold elections for the boards of directors, adopt annual budgets, and submit to financial audits.

On behalf of \_\_\_\_\_, I hereby acknowledge that I have received and read this GENERAL DISCLOSURE REGARDING SILVER HAWK METROPOLITAN DISTRICT.

Lots \_\_\_\_\_

Signed: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

On behalf of: \_\_\_\_\_

I, \_\_\_\_\_, hereby acknowledge that I have received and read this GENERAL DISCLOSURE REGARDING SILVER HAWK METROPOLITAN DISTRICT.

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Buyer	Lot	Address	Date
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Buyer	Lot	Address	Date
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Buyer	Lot	Address	Date
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**EXHIBIT A**

**TO THE  
GENERAL DISCLOSURE AND COMMON QUESTIONS REGARDING  
SILVER HAWK METROPOLITAN DISTRICTS**

**LEGAL DESCRIPTION AND MAP OF THE PROPERTY WITHIN THE  
SILVER HAWK METROPOLITAN DISTRICT**

**EXHIBIT B**

**TO THE**  
**GENERAL DISCLOSURE AND COMMON QUESTIONS REGARDING**  
**SILVER HAWK METROPOLITAN DISTRICTS**

**GENERAL FORMULA FOR ASSESSMENT**  
**OF RESIDENTIAL PROPERTY**

1. Assessor's office makes a market value determination based upon sales prices of comparable homes in the area (the "Market Property Valuation").
2. Market Property Valuation is multiplied by the assessment rate which is set every odd numbered year and as of January 1, 2016, was 7.96%. The current assessment rate can be obtained from the County Assessor's Office (Market Property Valuation times the assessment rate = Assessment Valuation).
3. Applicable Mill Levy is applied to the Assessment Valuation, resulting in the total assessment to the residential property.

For example, a home and property sold for \$300,000 should have a "market value" of \$300,000. Applying the 7.96% valuation factor produces an assessed valuation of \$23,880. One mill (.001) applied to that assessed valuation produces \$23.88 of additional taxes. Assuming the District's projected Maximum Debt Mill Levy of 30 mills for residential property would result in \$716.40 in additional taxes each year for a residential property with a market value of \$300,000.