



Memorandum

To: City of Colorado Springs

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

Re: Executive Summary for Amended and Restated Service Plan for The Sands Metropolitan District Nos. 1 – 3 (collectively, the “Districts”)

Date: November 1, 2019

On October 4, 2016, by Resolution 16-349, the Board of County Commissioners (“Board”) of El Paso County, Colorado (“County”) approved the final version of the Service Plan (the “Service Plan” or “Original Service Plan”) for The Sands Metropolitan District Nos. 1-4 (“Sands Districts 1-4”).

Since the time of formation and organization of the Districts in the County, the proponents for the organization of the Districts and primary landowners of property in District Nos. 1, 2 and 3 submitted petitions for annexation into the City of Colorado Springs (the “City”) and worked with the City on the best method for providing services and public improvements to the property within the Districts. By Ordinance Nos. 18-58, 18-59, 18-60, 18-61, 18-62, 18-63 and 18-64, all finally passed by the City Council on July 10, 2018, the City formally annexed into the City the real property encompassing The Sands Metropolitan District Nos. 1-3 (the “Sands Districts 1-3”). Additionally, by Resolution 76-18, also adopted on July 10, 2018, the City Council approved that certain Intergovernmental Agreement dated as of June 6, 2018 (“City IGA”) by and between the City and the Sands Districts 1-3. Pursuant to the IGA, within three (3) years of the effective date of the annexation, the Sands Districts 1-3 was required to take the necessary steps to transfer the approval authority for the Sands Districts 1-3, and any property annexed to the City, from the County to the City. Also pursuant to the IGA, upon transfer of the approval authority status to the City, the Sands Districts 1-3 have agreed to adopt the City’s Model Service Plan, with the Maximum Mill Levies provided for in the IGA. The Amended and Restated Service Plan (the “Amended and Restated Service Plan” or the “Service Plan”) is therefore being submitted to formalize the directives outlined in the IGA and to now transfer the approval authority and authorizing jurisdiction of the Sands Districts 1-3 from the County to the City.

The Sands Districts 1-3 encompasses the land generally located to the North and East of the intersection of Constitution Avenue and Marksheffel Road, and includes approximately 114 acres, all entirely within the boundaries of the City. The Sands Metropolitan District Nos. 1 and 2 consists entirely of residential development, and The Sands Metropolitan District No. 3 consists entirely of commercial development.

The Districts are 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. In particular, the Districts seek consideration of the Amended and Restated Service Plan on the next possible public hearing of the City Council.

It is the intention of the Developer of the project that public improvements for the project will be advanced and reimbursed by the Districts to the extent there is financial feasibility to do so. Those public improvements that cannot be financed through the Districts shall be paid for by the Developer. It is not the



current intent to utilize a Homeowners' Association ("HOA"), rather, the Districts 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.

Preparation of the original Financing Plan was provided by George K. Baum & 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 continue to make up the District Board in order to develop the area in accordance with approved development plans with the City. The Districts 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 Districts.

- Approximately 114 total acres of property in the boundaries of the Districts within the City of Colorado Springs.
- Completion of over \$16,252,083 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 312 single family homes within the Sands Districts 1-2.
- Anticipated development of commercial development in the Sands District 3 within a parcel of approximately 10.786 acres.
- The estimated cost of the public improvements needed for the project is \$16,252,083, which is needed for development of the property within the Districts.
- Public Improvements need additional financing from the Districts 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.
- The following Maximum Mill Levies: (a) 50 mills inclusive of both debt and operations and administration for the Sands Districts 1 and 2; and (b) 60 mills inclusive of both debt and operations and administration for the Sands District 3 (commercial).
- The foregoing total projected mill levies allow for financing of the \$16,252,083 estimated improvement costs for the project.
- Requested Debt Authorization of \$28,540,103. This amount was the authorized debt limitation under the original Service Plan approved by the County in 2016. It is anticipated that this debt authorization amount should be sufficient and it is not anticipated that any additional authorization will be requested at a later time.



- 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.
- There are no current residents within the Districts 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 Districts shall develop and finance its own property.

The Amended and Restated Service Plan will serve the best interests of the taxpayers, property owners and development of the property within the Districts, will minimize non-interested party obligations, and will maximize both development and absorption within the Districts and City without delays in development. The continuation of the Sands Districts 1-3 will allow for financing and development to pay for only those improvements and costs which are a direct benefit to the property within the Districts.

We look forward to continuing to work with the City on this matter.