

Interquest North Business Improvement District

Via Electronic Mail

City Council
107 N. Nevada Ave.
Colorado Springs, CO

RE: Interquest North Business Improvement District – Deepwater Point Company
Objection – Dated June 18, 2020

Dear President Skorman and Members of Council,

It has come to our attention that correspondence was sent to all members of Council by paid consultant Mr. Timothy Leonard of the Deepwater Point Company (“Deepwater”) objecting to the issuance of bonds by the Interquest North Business Improvement District (“District”). The District has fully complied with City Council policy and the District Operating Plan in regard to the proposed issuance; however, the District feels it is necessary to clarify the issues raised and respond to that correspondence even though it is largely not relevant to the bond issuance as presented.

The below responses are in the order of the issues raised in the Deepwater letter which is attached for ease of reference.

- 1. Remove INBID Item from Agenda** - *Deepwater generally requested that no action be taken on the submittal pending Mr. Leonard's further review.*
 - Per Council's request related to the previously contemplated Scheel's exclusion request submitted in 2019, the District sent specific notices to all taxpayer's in the District. This notice was above and beyond the notice required by state statute and City policy. As stated previously to Council, the District and the developer have reached out on several occasions to discuss the project development and District issues and have met with Deepwater and its client. Mr. Leonard has attended District board meetings and has been provided documentation responsive to his request. Despite the District's best efforts there still remains confusion and disagreement regarding what documents are in fact required to be produced per CORA. The District believes it has acted in accordance with CORA and continues to do everything it can to be transparent and make all requested documents available.

- 2. \$13.7m Bond Request** – *Deepwater states the terms of the bond issuance that are in compliance with the District's Operating Plan.*
 - The bond issuance has been contemplated for over a year and was included in the District's Operating Plan for 2020 after significant discussion with Council. This will be the final bond issuance for this project as previously contemplated.

3. Trouble with Disclosure – *Deepwater takes issue with not receiving the documents submitted to the City and revision to a prior draft financial plan.*

- The District never received a request from Deepwater for the bond submittal package. As is appropriate, City staff provided the documents to Deepwater upon request.
- The District board action to approve the bond documents in draft form and authorized the board president, secretary and legal counsel to finalize the bond documents as is normal course of business for on-going bond transactions.
- The initial draft bond transaction documents were prepared in early March, prior to COVID 19 and were updated to reflect current market conditions thus the change in interest rate as certified by RBC, an independent financial consultant retained by the District to provide the Council policy mandated certification of the appropriateness of the interest rate.
- The District has followed City policy, statutory and legal requirements and is in conformance with industry standards as certified by professional bond underwriters. The holder of the bonds is irrelevant in regard to compliance with those standards.

4. Taxation without Representation – *Deepwater broadly asserts a lack of transparency and satisfaction with the District on behalf of the District's tax payers.*

- Out of 26 lots in the District, two have hired Deepwater, an outside non-taxpaying consultant, to challenge nearly every aspect of the District and degrade the integrity of the District board. These two properties represent approximately two percent (2%) of the market value of properties within the District. Only Mr. Leonard, not his clients or any other business or property owners, have attended District board meetings which is their opportunity to address their concerns regarding the District.
- These two entities hired Deepwater and it is believed paid the costs to have Mr. Leonard, a non-tax paying consultant who lives in Golden, Colorado, run for the board of directors of the District. Mr. Leonard received two votes in the election and apparently failed to obtain any votes from any other businesses or property owners to support his candidacy. Deepwater and its employers were provided ample opportunity for representation prior to this bond issuance being submitted to Council. The District businesses had every opportunity to express dissatisfaction with the operation of the District and did not do so with the exception of Deepwater.
- This District is operating in compliance with its Operating Plan and has been transparent with City Council throughout its existence on its intentions and operations.

5. CORA Lawsuit – *Deepwater asserts that the District has not provided documents as requested that in Mr. Leonard's opinion the District should have and should have provided absent a CORA request.*

- The District, at significant expense, has repeatedly reached out and provided information to Mr. Leonard both outside of CORA and through formal responses that the District believes are in compliance with CORA.

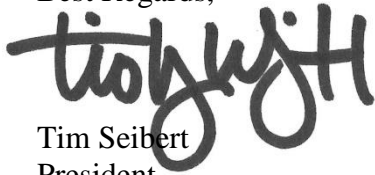
- It is the District's position that there is continued confusion on Deepwater's part as to what information the District possesses or should possess and the District has made every effort to obtain and disclose all requested information. At considerable expense the District continues to obtain and provide additional information which is outside of the District's possession for the sake of transparency.
- The District has submitted information regarding the costs to be funded through the bonds. This is in conformance with City policy and practice.
- All public improvements of the District have been and are analyzed, reviewed and certified by an independent engineer to verify the costs and the eligibility for reimbursement which certifications, including exhaustive backup, have been provided to Deepwater – Mr. Leonard is demanding that the District board substitute his paid for opinion for this independent engineering review.
- The use of reimbursement agreements and the interest rate are consistent with industry practice and legal requirements and have been disclosed in the District's Operating Plans.
- Comparing market bond rates with treasury bond rates is completely outside of financial industry practice and shows a deliberate attempt to mislead Council by ignoring the critical risk factors involved in bond issuances. RBC is a respected national firm that deals in the municipal bond market on a daily basis and provided a professional certification of rate based on current market and risk factors in conformance with City policy. Again, Mr. Leonard demands that his judgment be substituted for independent professional certifications.
- Several draft bond financial plans were prepared in anticipation of the bond submittal to Council in order for the District to make the best decisions possible. Deepwater references a preliminary draft of the financial plan. The formal submittal to the City includes the Scheels property tax revenues. The Scheels property will remain in the District and be subject to the BID property tax. As previously disclosed and discussed with Council the economic package to secure the Scheel's location to Colorado Springs included several factors. In lieu of the exclusion, Scheel's will be incentivized through a private PIF incentive agreement. Scheels will not be excluded from the BID thus ensuring the property will contribute to the bond repayment whether or not Scheel's is present.
- Utilizing District funds for public parking facilities is a common practice statewide and in Colorado Springs. Allowing businesses to provide enhancements and undertake special events in those parking facilities is also common. This District owned central parking facility is open to the public and for use by Deepwater's clients or any other District businesses.
- The District is not party to private land development agreements.

The District has delayed its bond issuance in order to allow for full transparency and to accommodate the requests of Council in regard to these important issues. The City Council has been aware of this bond issuance since submittal of the 2020 Operating Plan and it was discussed in detail at that time. Deepwater and Mr. Leonard have been provided every opportunity to review the District finances and documentation and even run for the District board. The District

appreciates Deepwater's interest; however, there remain issues that the District board and Deepwater simply disagree on. To that end the District board must act in the overall best interests of the District as a whole.

We feel it is important to note that the developer and District have been successful in attracting a premier retailer such as Scheels and other businesses to Colorado Springs in a very competitive retail market. With the uncertainty of the current circumstances the District and developer believe now more than ever, the actions it is taking to issue the bonds, complete the needed infrastructure and greatly reduce the District mill levy will be critical in the coming years. The District looks forward to continued partnership with the City on this project.

Best Regards,

A handwritten signature in black ink, appearing to read 'tioseibert', written in a cursive, stylized font.

Tim Seibert
President

Interquest North Business Improvement District

cc: Mr. Jeff Greene
Mr. Peter Wysocki
Mr. Carl Schueler