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April 1, 2025

Via E-mail

Deepwater Point Company
Attn: Mr. Timothy Leonard
Tim@deepwaterpoint.net

Re: Response to Letter Dated March 21, 2025, Regarding Inclusion of Property into the Interquest North Business Improvement District

Dear Mr. Leonard:

This office represents the Interquest North Business Improvement District (the “District”). The purpose of this letter is to provide responses to your questions set forth in your letter to the Colorado Springs City Council Members, dated March 21, 2025 (“March 21 Letter”). Prior to getting into the specific questions contained in the March 21 Letter, it is important to provide clear context and facts about the District. The District was formed in 2004 (21 years ago) and operates fully within the statutory authority of Title 31, Article 25, Part 12 of the Colorado Revised Statutes (the “Business Improvement District Act”). Independent third-party auditors and City financial staff have consistently reviewed and approved the District’s financial activities, including bond issuances, annual budgets, and operating plans. City Council has reviewed each one of these financial activities and has invariably found that the District has complied with all applicable laws. All District financial transactions, bond terms, and expenditures have repeatedly been confirmed as fully compliant with state law and municipal ordinances.

The origin of this letter is related to a request to include approximately five-acres into the District’s boundaries. The inclusion of the subject property into the District is a logical and predictable step towards completing the development of this area. The property is adjacent and surrounded by the District on the north and east side of the proposed inclusion and is one of the few remaining parcels to be developed. Following the submission of a petition for inclusion, pursuant to Section 31-25-1220, C.R.S., the governing body must consider whether the inclusion adversely affects the district. The governing body shall not approve an inclusion if the inclusion would impair or affect the district’s organization or the district’s rights in or to property or any of the district’s rights or privileges whatsoever, or if the inclusion would affect or impair or discharge

any contract, obligation, lien, or charge for or upon which the district might be liable or chargeable had the inclusion not been made. The March 21 Letter does not address any of this criteria or state that the inclusion of the property into the District would violate these requirements.

The District has represented to the City Council the anticipated inclusion of this property into the District's boundaries in both the 2024 and 2025 Operating Plans the City Council approved. The District has forecasted the inclusion because the property requires the construction and installation of public improvements to develop the site, regardless of who owns the property. Additionally, the property will benefit from the services the District currently provides to the area, including operation and maintenance of the stormwater facilities and roads that serve the site. The property should not benefit from such services without paying its proportionate share of the District's costs of providing such services.

In response to the questions raised in the March 21 Letter, the reason for requesting the inclusion of the property into the District's boundaries at this particular time is to help facilitate the development of the property, which was the primary purpose of the District's formation. As stated in the Business Improvement District Act, the general assembly has declared that the organization of business improvement districts "will serve a public purpose; will promote the health, safety, prosperity, security, and general welfare of the inhabitants thereof, the property owners therein, and all the people of the state; will promote the continued vitality of commercial business areas within municipalities; and will be of special benefit to the property within the boundaries of any district created pursuant [part 12 of the Business Improvement District Act]." Currently, the subject property is vacant and does not produce any value for the City or surrounding area. If the property is included into the District's boundaries, the property will receive the support from the District to fund and construct the public improvements that are needed to develop the property. Due to the nature of the surrounding businesses, the District anticipates this site will attract a similarly situated business. As a result, the increased consumer traffic will likely lead to the surrounding businesses experiencing increased consumer sales and revenue. Further, the property tax and public improvement fee revenue generated at this site will contribute to the payment of the District's debt and financial obligations.

The District has established a capital plan to ensure the District has adequate funds to not only finance the remaining public improvements needed for the overall project, but also to finance the repair and replacement of existing improvements, such as the repaving of roads, repair of damaged curbs and sidewalks, continued landscape maintenance and enhancement, and other qualified expenditures to continue to ensure the vitality of the commercial property for the benefit of the property owners and tenants within its boundaries.

The District has provided the City Council an estimate of the capital expenditures the District anticipates making in 2025 with the approval of the Operating Plan last fall. The statement in the March 21 Letter that "all roads, drive aisles, gas, electric, water, and sewer lines have already been brought to the site" is incorrect. To develop the property, public improvements as defined in the Business Improvement District Act are required to be constructed and installed, including water, sewer, and stormwater facilities. Although the Development Plan referenced in and attached to the March 21 Letter labels certain improvements as "private," such label is to distinguish between the improvements that will ultimately be dedicated to the City and the improvements

another entity, including the District, will own and maintain. All improvements the District owns and maintains are public improvements as defined in the Business Improvement District Act and are provided for the benefit of the public and any facilities constructed on the proposed inclusion parcel will comply as well. The public improvement costs for this parcel are not yet known but are not a requirement for inclusion within the District.

The Business Improvement District Act defines the types of improvements the District may finance and construct. The District has, since its formation, remained within the confines of the statutory requirements, and has not, as stated in the March 21 Letter, used “public taxpayer funds to fund its privately-owned properties.” The Business Improvement District Act also sets forth who may serve on a business improvement district’s board of directors. The statutory conditions are clear on the eligibility to serve on the board of directors and includes both property owners and leaseholders within the boundaries of the District as eligible electors. The District follows all election requirements as established by statute.

In summary, the District remains fully compliant with state statutory requirements and city ordinances, financially responsible, and economically beneficial to the City, its residents, and the tenants and property owners within its boundaries. Please feel free to contact me if you have any questions or need anything further.

Sincerely,

/s/ Nicole R. Peykov

Nicole R. Peykov

cc: Colorado Springs City Council
Kevin Walker, Director, City Planning Department
Allison Stocker, Senior Planner, City Planning Department