



August 16, 2024

Gold Hill North Metropolitan District No. 1  
Gold Hill North Business Improvement District  
Attention: Blair M. Dickhoner, Esq.  
White Bear Ankele Tanaka & Waldron P.C.  
2154 E. Commons Avenue, Suite 2000  
Centennial, CO 80122

**RE: Proposed Financing at Gold Hill North Metropolitan District No. 1 and Gold Hill North Business Improvement District**

Dear Mr. Dickhoner,

D.A. Davidson & Co. has been engaged by Gold Hill North Metropolitan District No. 1 (the “District”) and Gold Hill North Business Improvement District (the “BID”, and together with the District, the “Districts”) to serve as underwriter for a proposed 2024 bond transaction (the “Series 2024 Bonds”). This memorandum is intended to provide an overview of the current development program and financing structure for the Districts’ proposed Series 2024 Bonds.

Site Plan District Overview

The Series 2024 Bonds are currently contemplated to be repaid by debt service mill levy revenues generated by the Districts and property tax increment generated from property within the Gold Hill North Commercial Urban Renewal Area (the “URA”). The current plan of finance contemplates a pledge of 50 mills (subject to adjustment) for debt service from the Districts and 100% of the property tax increment generated within the boundaries of URA, as shown below.



## Development Program

The following assumptions have been provided by the development team and form the basis of the analysis provided in this memorandum. Prior to the distribution of an offering document to the market, these assumptions will be verified by a third-party market study provider.

1. **Commercial Program:** The anticipated commercial development is currently planned to include 19,000 square feet of commercial space that is projected to be completed between 2027 and 2029. The development team anticipates that a 120-key hotel will be completed in 2029. The average price per square foot for the commercial space is estimated at \$300 per square foot and the hotel value is estimated at \$90,000 per key. The commercial program is entirely located with the BID and within the boundaries of the URA.
2. **Residential Program:** Anticipated residential development that will generate revenue pledged to the Series 2024 Bonds currently consists of the following:
  - a. *For-Sale Single Family Residential:* 257 for-sale single family residential units projected to be completed between 2025 and 2029. Average values are estimated to range from \$460,000 per unit to \$825,000 per unit with an overall average of \$550,000 per unit. This component of the residential program is located within the boundaries of the District and within the boundaries of the URA.
  - b. *For-Rent Single Family Residential:* 148 for-rent single family residential units projected to be completed between 2026 and 2027. Average values for this component of the project are estimated at \$300,000 per unit. This component of the residential program is located within the boundaries of the URA. *Note that this component is also located within the boundaries of Gold Hill North Metropolitan District No. 2, which is not a part of this transaction and will not generate any debt levy revenue to service the Series 2024 Bonds.*
  - c. *Multifamily Residential:* 349 multifamily residential units projected to be completed between in 2027 with an average value of \$250,000 per unit. This component of the residential program is not located within the boundaries of any metropolitan district but is within the boundaries of the URA.

## Financing Assumptions

1. Both the BID (commercial and hotel development) and the District (for-sale residential) debt service mill levies are anticipated to be 50 mills beginning in tax collection year 2025.
2. The Colorado Springs Urban Renewal Authority has entered into a Redevelopment Agreement with the Districts and Cooperation Agreements with the various overlapping taxing entities that pledges 100% of the property tax increment generated within the URA to the Districts. These revenues are currently contemplated to be pledged to the Series 2024 Bonds.
3. The Districts are currently contemplated to issue a senior Series 2024A bond and subordinate Series 2024B bond with a targeted closing in October of 2024.
  - a. The senior bonds are currently estimated to have a principal amount of \$18,110,000 and the subordinate bonds are estimated to have a principal amount of \$2,996,000 (final principal amounts will be dependent on the findings of the third-party market study consultant and market conditions at time of pricing).

- b. Both series of bonds are anticipated to be tax-exempt, non-rated bonds and sized with a 30-year maturity.
  - c. The senior Series 2024A bond is contemplated to be structured as a current-interest bond, sized with a debt service coverage ratio ranging from 130x to 140x.
  - d. The subordinate Series 2024B bond is contemplated to be structured as a 30-year cashflow bond, paid from revenues left after payment of senior debt service.
4. At issuance, it is projected that the Districts will fund \$662,200 in costs of issuance, \$3,531,450 in capitalized interest, and \$1,732,000 in a Debt Service Reserve Fund or initial Surplus Fund deposit from bond proceeds. The remaining \$15,090,470 is projected to be deposited to the Districts' project fund and be used to fund eligible public improvements.

#### Disclosures

D.A. Davidson is currently providing investment banking services to the Districts in connection with its this bond financing. *D.A. Davidson is not acting as a financial advisor to the Districts.*

The assumptions in the current draft of the Financing Plan are those of the Developer and have not yet been independently reviewed by D.A. Davidson or a third-party market study provider. Those assumptions identified are believed to be the significant factors in determining financial feasibility; however, they are likely not to be all-inclusive. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as projected, and those differences may be material. Key assumptions, including those relating to market values of real property improvements and the build out schedule of such property, are particularly sensitive in terms of the timing necessary to create the tax base for the Districts. A small variation in these variables, and to their timing, can have a large effect on the forecasted results. There is a high probability that the forecasted results will differ from realized future tax base factors and such variations can be material. Additionally, other key assumptions relating to inflation, assessment ratios, interest rates, and infrastructure, administrative, and operating costs may, and likely will, vary from those projected.

Because D.A. Davidson has not independently evaluated or reviewed the assumptions that the financial model is based upon, we do not vouch for the achievability (and disclaim any opinion) of the information provided. Furthermore, because of the inherent nature of future events, which are subject to change and variation as events and circumstances change, the actual results may vary materially from the results presented here. D.A. Davidson has no responsibility or obligation to update this information or this financial model for events occurring after the date of this report.

Respectfully submitted,

**D.A. DAVIDSON & CO. FIXED INCOME CAPITAL MARKETS**



*Laci Knowles*

Managing Director, Public Finance