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THREE SPRINGS METROPOLITAN DISTRICT NO. 4

DURANGO, COLORADO

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THREE SPRINGS METROPOLITAN DISTRICT NO. 4

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**SERVICE PLAN FOR
THREE SPRINGS METROPOLITAN DISTRICT NO. 4**

I. INTRODUCTION

This Service Plan for Three Springs Metropolitan District No. 4 (“District No. 4”) in the City of Durango (“City”), Colorado (“State”), is submitted by GRVP, LLC (“Organizer”) pursuant to the requirements of the Special District Act, Section 32-1-101, et seq., C.R.S. (“Special District Act”), and more particularly Section 32-1-204.5, C.R.S. This Service Plan is being submitted in connection with the planning and development of a recently acquired Lot 3R of the Crader Subdivision and Lots 8 and 9 of Rancho Vedado Phase II Subdivision as hereinafter described which has been annexed into the City and will be developed for commercial uses (“Commercial Area”). The Commercial Area known as Three Springs Crossing will be integrated into the mixed-use development project known as “Three Springs”, consisting of 681 acres of land developable for mixed uses, park, greenbelts and open space within Tracts 1-5 of the Three Springs Minor Subdivision Plat as filed of record (“Development”). The Organizer is the owner and master developer of all developable property within the Development, except for the regional hospital, acute treatment center and medical office building, and within the Commercial Area. References in this Service Plan to a developer apply to the Organizer, any affiliated or related entity, and any successor developer or an affiliated or related entity thereof. References in this Service Plan to the Development are intended to include the Commercial Area, unless otherwise noted.

II. PURPOSES OF DISTRICT

District No. 4 will be a metropolitan district organized to provide certain parks, recreation, drainage, streets, sanitation and water facilities pursuant to the Special District Act in cooperation with three other metropolitan districts, previously organized to serve properties within the Development including the Three Springs Metropolitan District No. 3 (“District No. 3”), which will arrange, control and coordinate the financing, acquisition, construction, completion and operation of all public infrastructure and services required for District No. 4. The other metropolitan districts are Three Springs Metropolitan District No. 1 (“District No. 1”) and Three Springs Metropolitan District No. 2 (“District No. 2”; and together with District No. 1, District No. 3 and District No. 4 collectively, the “Districts”). District No. 4 is now expected to contain all property within the Commercial Area and may include adjacent property in the Crader Subdivision. It was anticipated that the original three Districts would be established in accordance with the terms of Section 6.05 of the Three Springs Development Agreement dated March 30, 2005 (“Development Agreement”) between the Organizer and the City. Section III.A of the Crader Addition Annexation Agreement dated May 8, 2012 recognizes that a special district may be organized for providing public infrastructure improvements within the Commercial Area. No property in the Development will be included into more than one District, except possibly for an overlap parcel located in each District owned by the Organizer in which

the initial directors of the District will have a qualifying interest in accordance with statutory requirements.

As the management and control district, District No. 3 will be responsible for managing, implementing and coordinating the financing, acquisition, construction, completion and operation of certain public infrastructure and services throughout the Development, including the infrastructure improvements needed to serve properties within the Commercial Area (all of which public improvements are referred to herein generally as the "Improvements", and are more particularly described in Parts V and VI). The Improvements will be completed for the collective use and benefit of the property owners within District No. 4 and the property owners and residents of the other Districts, as well as for all citizens of the City and the State. Upon completion, it is anticipated that certain Improvements will be dedicated and transferred to the City or another governmental entity as appropriate. District No. 3 will manage, operate and maintain all other Improvements within the Development in accordance with an intergovernmental agreement among the Districts (the "Inter-District IGA").

It is anticipated that the developer will make advances to District No. 4 as necessary to fund the costs of acquisition, construction and completion of the Improvements by District No. 3, until such time as District No. 4 can issue bonds, notes or other multiple-fiscal year financial obligations. Alternatively, District No. 4 may, if feasible, issue bonds, notes or other multiple-fiscal year financial obligations immediately to fund the costs of the Improvements and to pay back any developer advances. It is expected that District No. 4, after first making payment of any debt service expenses, will transfer tax collections and other revenue to District No. 3, which revenue, together with revenue received from District Nos. 1 and 2, will be applied to the payment of debt service on bonds, notes and other multiple-fiscal year financial obligations incurred to fund the Improvements and the costs of administration, operation and maintenance of the Improvements that are not transferred to the City.

The arrangements for financing, acquiring, constructing, completing, operating and maintaining the Improvements will be set forth in the Inter-District IGA. The District will cooperate and enter into the Inter-District IGA to implement both the intent and terms of this Service Plan. Because of the lengthy build-out period of the Development, the use of District No. 3 as the management district in cooperation with the other three taxing Districts will ensure that all Improvements are financed and constructed in coordination with the various phases of the Development and not sooner. This phased financing approach will also ensure that property owners within the Districts are not taxed unnecessarily for Improvements before they are needed and will reduce the costs of financing generally.

The Commercial Area is not presently served with the facilities or services to be provided by the District, nor does the City or any other special district have any plans to provide such facilities or services within a reasonable time and on a comparable basis. The Districts may enter into an intergovernmental agreement with the City with respect to the provision of services and facilities within the Development. The use of the Districts to finance, acquire, construct, complete, operate and maintain all Improvements that are not transferred to the City will assure the provision of requisite public infrastructure and other attractive public amenities within the Development and the vicinity and will generally promote the public welfare of the City. Thus, the organization of the District, in cooperation with the other Districts will promote both the

interests of present and future residents, property owners and taxpayers within all of the Districts as well as the general interests of the City.

III. PROPOSED DISTRICT BOUNDARIES/SERVICE AREA

It is anticipated that District No. 4 will contain all property within the Commercial Area, consisting of approximately 39 acres. The boundaries of District No. 4 are located entirely within the City, as more particularly described in the legal description of the initial boundaries of District No. 4 attached hereto and incorporated herein as **Exhibit A**, and are also shown on the boundary map attached hereto and incorporated herein as **Exhibit B**. The property described in **Exhibit A** may be included into and overlap the boundaries of the other Districts. The boundaries of the other Districts are also located entirely within the City and will include only property within other areas of the Development generally depicted in **Exhibit C** attached hereto and incorporated herein containing approximately 620 developable acres in District Nos. 1 and 2. The Inclusion Area may be enlarged to include other portions of the Crader Subdivision, if first approved by the District's Board of Directors and the City Manager.

The boundaries of District No. 4 will be included into the service area of District Nos. 1, 2 and 3, as well as any areas in which off-site Improvements will be completed (together, the "Service Area"), all of which Service Area is generally depicted in **Exhibit D** attached hereto and incorporated herein. The Service Area may be enlarged only with the prior written approval of the City Manager.

IV. PERMITTED LAND USES / POPULATION PROJECTIONS / ASSESSED VALUATION

The Development will offer a mix of commercial uses, which will include office and retail space, restaurants and entertainment facilities. The developer will provide all permit and other applications and/or submissions to the City as are required for each particular phase of development. The Development will be subject to all City zoning, subdivision and building codes, other land use regulations, and all other laws, rules and regulations. District No. 4 will not have a permanent population. The estimated permanent population of all Districts at full build-out is approximately five thousand (5,000) people. The current assessed value of all property within the boundaries of the District No. 4 is approximately \$102,000. The estimated future assessed valuation of all property within District No. 4 is expected to exceed \$5,550,000.

V. DESCRIPTION OF DISTRICT POWERS, SERVICES AND IMPROVEMENTS

District No. 3 will manage, implement and coordinate the financing, acquisition, construction, completion, operation and maintenance of the Improvements, some of which will be transferred to the City, and the provision of related services within and without the boundaries of the Districts in accordance with the terms of the Inter-District IGA. A general description of District No. 4's powers and authorities, the services that it will provide, and the Improvements that it will acquire or construct in cooperation with the other Districts and in accordance with the terms of the Inter-District IGA between the Districts follows.

A. Services and Improvements.

1. Park and Recreation Improvements. District No. 4 shall have the power and authority to provide for the acquisition, construction, installation, completion, operation and maintenance of parks and recreation improvements and programs as authorized by the Special District Act, including without limitation pedestrian plazas, parks, multi-modal trails and bridges, open space, landscaping, hardscape, signage, entry and architectural features, recreational facilities, irrigation, art and cultural activities, together with all necessary, incidental and appurtenant facilities, land and easements, and all extensions of and improvements to such facilities within and without the boundaries of the Districts. All park and recreation improvements will be designed and constructed in accordance with any applicable specifications of the City. The Districts will own, operate and maintain certain park and recreation improvements, and other park and recreation improvements will be transferred to the City, as approved by the City Manager. The Districts may transfer the park and recreation improvements or delegate the operation and maintenance thereof to a governmental entity other than the City only with the prior written approval of the City Manager.

2. Drainage Improvements. District No. 4 shall have the power and authority to provide for the acquisition, construction, installation, completion, operation and maintenance of a drainage system in connection with the park and recreation improvements, as authorized by the Special District Act, including without limitation stormwater sewer, flood and surface drainage facilities and systems, detention/retention ponds and associated drainage facilities, together with all necessary, incidental and appurtenant facilities, land and easements, and all extensions of and improvements to such facilities within and without the boundaries of the Districts. All drainage improvements will be designed and constructed in accordance with the standards and specifications of the City and any other applicable State or federal agencies. Upon completion and the City's acceptance, the drainage improvements will be transferred to the City for ownership, operation and maintenance, except as otherwise determined by the City Manager. The District will own, operate and maintain any drainage improvements that are not transferred to the City. The District may transfer the drainage improvements or delegate the operation and maintenance thereof to a governmental entity other than the City only with the prior written approval of the City Manager.

3. Street Improvements. District No. 4 shall have the power and authority to provide for the acquisition, construction, installation, completion, operation and maintenance of streets, roadways and parking fields within the Commercial Area, as authorized by the Special District Act, including without limitation grading, roadway improvements, paving, curbs, gutter, drainage systems, utility conduits, lighting, signalization, monumentation, landscaping and related hardscape, together with all necessary, incidental and appurtenant facilities, land and easements, and all extension and improvements to such facilities within and without the boundaries of the District. All street improvements will be designed and constructed in accordance with the standards and specifications of the City and any other applicable State and federal agencies. Upon completion and the City's acceptance, the street improvements will be transferred to the City for ownership, operation and maintenance, except as otherwise determined by the City Manager. The Districts will own, create and maintain any street improvements that are not transferred to the City. The Districts may transfer the street

improvements or delegate the operation and maintenance thereof to a governmental entity other than the City only with the prior written approval of the City Manager.

4. Sanitation Improvements District No. 4 shall have the power and authority to provide for the acquisition, construction, installation, completion, operation and maintenance of a sanitation and storm sewer system, as authorized by the Special District Act, including without limitation sanitation and stormwater sewers, and associated sanitation facilities, together with all necessary, incidental and appurtenant facilities, land and easements, and all extensions of and improvements to such facilities within and without the boundaries of the Districts. All sanitation improvements will be designed and constructed in accordance with the standards and specifications of the South Durango Sanitation District ("Sanitation District") and any other applicable State or federal agencies. The Sanitation District will furnish all sewage treatment services to the District. Upon completion and the Sanitation District's acceptance, the sanitation improvements will be transferred to the Sanitation District for ownership, operation and maintenance.

5. Water Improvements District No. 4 shall have the power and authority to provide for the acquisition, construction, installation, completion, operation and maintenance of a water distribution system, as authorized by the Special District Act, including without limitation water distribution and related facilities and systems, together with all necessary, incidental and appurtenant facilities, land and easements, and all extensions of and improvements to such facilities within and without the boundaries of the Districts. All water improvements will be designed and constructed in accordance with the standards and specifications of the City and any other applicable State or federal agencies. Upon completion and the City's acceptance, the water improvements will be transferred to the City for ownership, operation and maintenance.

The various activities of the Districts shall be subject to City zoning, subdivision, building codes, land use regulations, and other applicable City laws, rules, and regulations, so that the facility and service standards of the Districts will be compatible with those of the City. The location and installation of the Improvements authorized in this Service Plan and constructed in accordance with plans and permits approved by the City shall be exempt from the provisions of Section 31-23-209, C.R.S. The Districts will not construct any Improvements or provide any services other than the types described herein without the prior written approval of the City Manager. The City shall not be responsible for assuming the costs of any of the Improvements. The developer of the property will be responsible for any costs of the Improvements needed for the Development that exceed the amount of bonds issued or other revenues available to the Districts for such purposes.

B. Other Powers.

District No. 4 shall have all powers and authorities granted to metropolitan districts under the Special District Act, which may be exercised to provide for the acquisition, construction, completion, operation and maintenance of the Improvements and the provision of services as authorized in and subject to the limitations set forth in this Service Plan and the Inter-District IGA. In addition to the enumerated powers and authorities, the Board of Directors of District No. 4 shall also have the following authorities:

1. Service Plan Amendments. To amend this Service Plan as needed, subject to compliance with appropriate statutory procedures as set forth in this Service Plan or the Special District Act.

2. Construction and Financing Phasing. Without having to amend this Service Plan, except as otherwise expressly required herein, to defer, delay, reschedule, rephase or restructure the financing and/or construction of the Improvements in order to better accommodate the pace of growth within the Development, resource availability, and the funding capability of the Districts.

3. Additional Services / Services District Will Not Provide. Except as specifically prohibited herein, to provide such additional services and exercise such powers and authorities as are expressly or impliedly granted in the Special District Act or by State law; provided, however, that before District No. 4 assumes obligations related to (i) the incurrence of debt or (ii) the construction, operation and maintenance of infrastructure improvements beyond those described in this Service Plan, District No. 4 shall obtain the prior written approval of the City Manager. Ongoing services of the Districts shall be restricted to services not provided within the Districts by the City. The Districts shall not provide the following services: fire protection and other public safety services, streets, operation of traffic control devices in City streets, water, sanitation or television relay and translation services.

4. Land Acquisition. The Districts shall not be authorized to condemn property or easements without the prior approval of the City Manager. Land, easements and facilities proposed for conveyance to the City shall be free and clear of all liens, encumbrances and easements, unless otherwise approved by the City. All conveyances shall be by special warranty deed, shall be done at no cost to the City, and shall include a title policy issued to the City.

VI. ESTIMATED COSTS OF IMPROVEMENTS

The estimated (uninflated) costs of the Improvements, which may be financed, acquired, constructed and completed by the Districts, are approximately \$2,663,865 as set forth in **Exhibit E** attached hereto and incorporated herein. **Exhibit E** lists the cost summaries by type of Improvement. The design, phasing of construction, location and completion of the Improvements will be determined by District Nos. 3 and 4 to coincide with the phasing and development of the Commercial Area and the Development in general and the availability of funding sources. In accordance with the terms of the Inter-District IGA, District Nos. 3 and 4 may, in their discretion, phase the construction, completion, operation and maintenance of the Improvements or defer, delay, reschedule, rephase, restructure or determine not to proceed with the, construction, completion, operation and maintenance of the Improvements based upon the best interests of the present and future residents, property owners and taxpayers of the Districts, particularly property owners within the Commercial Area, and such actions or determinations shall not constitute material modifications of this Service Plan. The estimated costs of organization of the Districts are \$75,000.

VII. ESTIMATED COSTS OF OPERATIONS AND MAINTENANCE

The Districts' primary operation and maintenance obligations, which will be performed by District No. 3 in accordance with the terms of the Inter-District IGA, or by agreement with the commercial owners association, shall include maintaining all Improvements located behind the street curb (except trees within tree lawns), including without limitation any parks, recreation and drainage facilities, the community center, pedestrian plazas, bridges and sidewalk system, landscaping (including all plant material), hardscape, irrigation systems, art, signage and repair of the Districts' property. Additional costs may include engineering (not accounted for in the design of Improvements), legal, audit and administrative services, utilities, and other expenses related to the administration and operation of the Districts. See Part VIII.F of this Service Plan for the estimated costs for the initial consolidated operations of the Districts, which are presently estimated to cost approximately \$170,000 annually.

The budgets adopted by the Districts will authorize expenditures for administration and the operation and maintenance of Improvements that have not been transferred to the City or another jurisdiction for ownership and maintenance. The Districts shall not have the authority to provide maintenance of any Improvement transferred to the City without the prior written approval of the City Manager. Fees and charges may be imposed within the Service Area and collected by the Districts for transfer to District No. 3 to the extent necessary to supplement other District revenues in accordance with the terms of the Inter-District IGA.

Owners' associations may be formed by the developer to assume some of the operation and maintenance functions for the Development. In the event that an owners' association is formed, the operation and maintenance obligations of the Districts may be reduced.

VIII. FINANCING PLAN / PROPOSED INDEBTEDNESS

This part of the Service Plan describes the nature, basis, method of funding and financing limitations associated with the acquisition, construction, completion, operation and maintenance of the Improvements. The general Financing Plan will be coordinated and implemented by District No. 3 in accordance with the terms of the Inter-District IGA, subject to all limitations set forth herein.

A. Financing Plan.

The Financing Plan, which is attached as **Exhibit F** and incorporated herein, is the special financing plan for the Improvements to be completed within the Commercial Area and includes the estimated property tax revenue generated from properties within the Commercial Area only and amounts available for repayment of developer advances and/or notes issued to the Developer in order to fund the costs of the Improvements and for operations and maintenance expenses. The Financing Plan anticipates the incurrence of debt and expected debt repayment based on the development assumptions and absorptions for property within the Districts as prepared by the Organizer and its financial and planning consultants. The Financing Plan anticipates that in accordance with the terms of the Inter-District IGA, District No. 4 will receive developer advances or note proceeds to fund the costs of completing the Improvements, and District No. 3 will act as the management district completing all Improvements within the Commercial Area as well as the Service Area, in general. District No. 4 will tax all property within its boundaries, at the same rate as property taxes within District Nos. 1 and 2. District

Nos. 1 and 2 currently have property tax levies of fifty (50) mills for both debt service and operations. All District No. 4 tax collections after repayment of Developer advances and notes issued by District No. 4 will be remitted to District No. 3 to repay bonds, developer advances and other obligations incurred to complete Improvements in the Development in accordance with the terms of the Inter-District IGA; provided, however, that the actual bond financing plan of the Districts will be determined by District No. 3 as required by the phasing and build-out of the Development itself. Alternatively, District No. 4 may, at the direction of District No. 3 pursuant to the Inter-District IGA, issue bonds directly as discussed in subpart VIII.B below. The Financing Plan demonstrates that, at various projected levels of development, the Districts will have the ability to finance the Improvements within the Commercial Area and will have the financial ability to discharge all debt on a reasonable basis and will support the repayment of debt for all Improvements over time.

B. Bond Issuance and Developer Advances.

Currently, it is anticipated that the developer will make advances to District No. 4 as necessary to fund all or a portion of the costs of the Improvements, and District No. 4 in turn will issue revenue notes or bonds to the developer, which will be repaid when adequate property tax revenues are available from District No. 4. The Financing Plan sets forth the repayment plan for the projected costs of the Improvements totaling \$2,663,865 along with interest thereon. Without having to amend this Service Plan, alternate financing plans that meet or improve the models in the Financing Plan may also be implemented by the District, including without limitation having District No. 3 issue notes directly or having District No. 4 issue bonds directly in accordance with the terms of the Inter-District IGA and paying the proceeds thereof to District No. 4 for purposes of discharging developer advances and/or funding the costs of the Improvements. The Districts may enter into multiple-fiscal year financial obligations of any nature, including without limitation intergovernmental agreements and acquisition, reimbursement and funding agreements with the developer to accomplish any of the various purposes authorized in this Service Plan. Refunding bonds may be issued by the Districts to defease original issue bonds in compliance with subpart VIII.D below and all applicable State and federal laws.

District No. 4 will not issue unlimited general obligation bonds or impose any property tax levy on property within its boundaries, unless otherwise approved in writing by the City Manager. It is anticipated that initially the developer will advance funds to District No. 4 to pay operating as well as capital costs, which advances will be repaid from property tax collections from District No. 4 as development progresses. Interest on developer advances will be set at competitive market rates but will be capped at eight percent (8%) per annum, unless a higher interest rate is approved in writing by the City Manager. Interest on developer advances will be compounded no more than annually. Interest rates on developer advances are projected at seven and 7/8ths percent (7.875%) in the Financing Plan.

C. Debt Authorization.

At the organizational election, the District shall seek authority to issue revenue or general obligation indebtedness, including bonds and other multiple-fiscal year financial obligations such as intergovernmental agreements and acquisition, reimbursement and funding agreements, in the amounts of (i) \$3,250,000 for the Improvements needed within the Commercial Area and (ii)

\$38,000,000 for Improvements to be completed throughout the Development. Since each District must vote its own debt authorization for each of the categories of Improvements to be constructed within the Service Area, each District must by law have the full debt authorization available to it in the event that any one of the other Districts finances, acquires, constructs and completes the Improvements and/or the other Districts enter into intergovernmental agreements to repay the costs thereof.

It is anticipated that District No. 4 will utilize its debt authorization to issue limited property tax supported revenue bonds and/or notes to the developer, and the other taxing Districts including District No. 4 will use their debt authorization to enter into intergovernmental agreements with District No. 3 to pay over their property tax revenue in support of the repayment of such notes and bonds (or to issue general obligation bonds directly for such purposes). Initially, District No. 1, District No. 2 and the District will have the full \$38,000,000 in debt authorization available to each of them, but the aggregate debt of such Districts for funding the capital costs of the Improvements (excluding the Improvements within the Commercial Area) shall not exceed \$38,000,000, unless otherwise approved in writing by the City Manager. The District shall have the authority to incur additional debt for the Improvements within the Commercial Area in an amount not to exceed \$3,250,000, unless otherwise approved in writing by the City Manager. The total principal amount of debt authorization voted or to be voted by each of the Districts exceeds the projected capital costs of the Improvements to allow for unforeseen contingencies and increases in construction costs due to inflation and to cover all organizational and bond issuance costs, including capitalized interest, reserve funds, credit enhancement, discounts, legal and other consulting fees, and other incidental costs of issuance.

D. Parameters for Debt Issuance.

Unless otherwise approved in writing by the City Manager, all bonds or notes issued or obligations incurred by each of the Districts shall be subject to the following restrictions and any limitations of the Inter-District IGA:

General obligation or revenue bonds issued by any of the Districts will mature in not more than thirty (30) years per series from the date of issuance with the first maturity being not later than three (3) years from the date of issuance.

For any bonds other than those sold to developers or other related parties, the maximum voted interest rate will be eighteen percent (18%) and the maximum discount will be five percent (5%). The exact interest rates and discounts will be determined at the time that bonds are sold and will reflect market conditions at the time of sale. Such bonds will be structured to obtain competitive rates.

All bonds will contain adequate call provisions to allow for the prior redemption or refinancing of such bonds. Bonds sold to developers or other related parties shall be callable after five (5) years and have maturity dates of thirty (30) years or less.

No uninsured or non-credit enhanced bonds shall be issued which contain provisions permitting acceleration of the bonds upon default.

If variable rate bonds having a term of less than one (1) year are issued, a debt service reserve, if required by the underwriter, will be funded at issuance and maintained throughout the life of the bonds, except for developer-owned or secured bonds or notes.

Interest rates on bonds or notes sold to developers or other related parties shall be subject to an opinion as to the reasonableness of the interest rate and terms, which opinion shall be prepared by a local Red Book investment bank or bond counsel and provided to the City. The total of all annual debt service payments on the bonds (including scheduled compounding interest, if applicable) shall not exceed the Limited Mill Levies (as defined below).

The Districts will comply with all applicable State Securities and Exchange Commission and U.S. Treasury or Internal Revenue Service rules and regulations and laws.

District No. 4 will inform the City Manager within three (3) days after a debt service payment date if such payment is not made in full by any of the Districts.

No new money obligations (e.g. bonds and certificated leases) shall be incurred in the event that any of the Districts has previously undertaken to do a refunding of outstanding obligations for the purpose of avoiding a default without obtaining the prior written approval of the City Manager after providing evidence satisfactory to the City Manager either that (i) such District is then capable of discharging its debts as they come due or (ii) such refunding obligations themselves are no longer outstanding, notwithstanding anything in the Service Plan to the contrary.

All bonds issued by any of the Districts for which a property tax is pledged to pay debt service shall meet the requirements of all applicable State statutes; provided, however, that any unlimited tax general obligation bonds issued by such District shall, together with all other outstanding unlimited tax general obligation bonds previously issued, be equal to or less than fifty percent (50%) of such District's assessed valuation for all taxable property within such District, except to the extent that such debt complies with the provisions of Section 32-1-1101(6)(a), C.R.S. If such bonds are sold to natural persons, such persons must meet the definition of "accredited investor" as that term is used in Section 11-59-110, C.R.S., or the bonds must be sold in minimum denominations of \$500,000 with additional increments in multiples of \$1,000.

Any general obligation bonds issued by any of the Districts, together with all outstanding unlimited property tax general obligation bonds previously issued, if greater than fifty percent (50%) of such Districts' assessed valuation and not secured by a credit facility as described in Section 32-1-1101(6)(a)(III), C.R.S., shall be issued as limited tax general obligation bonds. Such District's obligation for repayment of each series of such bonds will be limited to the imposition and collection of a property tax levy not to exceed fifty (50) mills for both (i) debt service (inclusive of any mill levy required for the payment of any and all general obligation bonds) and (ii) operation and maintenance costs (together, the "Limited Mill Levies"), subject to certain adjustments as provided herein. The Limited Mill Levies may be adjusted by the Board of Directors of each District to take into account legislative or constitutionally imposed adjustments in assessed values or the method of their calculation (as of the date of this Service Plan), so that to the extent possible, the actual revenues generated by the Limited Mill Levies are neither

diminished nor enhanced as a result of such changes. Among other adjustments, a change in the ratio of actual valuation of assessable property shall be deemed a change in the method of calculating assessed valuation. The Limited Mill Levies will remain in effect for such series of general obligation bonds until such time as the assessed valuation of the taxable property within the boundaries of the Districts whose mill levies were pledged or obligated for that particular series of bonds is equal to or exceeds two (2) times the outstanding unlimited general obligation debt of such Districts, together with the series of general obligation bonds proposed for release from the Limited Mill Levies, or until a credit facility is secured as described in Section 32-1-1101(6)(a)(III), C.R.S.

The Districts shall not pledge as security for the repayment of any bonds, notes or other obligations any funds, Improvements or land to be transferred to the City.

District No. 4 shall notify the City Manager in writing before participating in or approving the creation of any corporate authority or other entity to act on the Districts' behalf, or obtaining financing through such an entity. The City Manager may require documentation showing material compliance with all provisions of this Part VIII before District No. 3 participates in or creates such corporate authority or entity, or obtains financing through such corporate authority or entity.

District No. 4 or any of the other Districts, if issuing bonds directly, shall provide the City with notification and substantially final bond documents twenty (20) days prior to any bond sale date so that the City can determine whether such bonds are being issued in accordance with the Service Plan and any related intergovernmental agreement. All reasonable consulting, legal and other costs incurred by the City for the review of the associated bond documents shall be paid by such District within thirty (30) days of receipt of invoice, regardless of whether the transaction closes.

E. Revenue Sources.

For so long as District No. 3 acts as the management and control district for all Districts within the Development, it is expected to rely primarily on developer advances and tax revenues received from the District and the other Districts pursuant to the Inter-District IGA. Other sources of revenue available to District No. 3 may include without limitation earnings derived from the reinvestment of bond funds, capitalized interest, property and specific ownership tax revenues and other fees and charges collected by the Districts and transferred to District No. 3 pursuant to the terms of the Inter-District IGA. The Districts may establish a system of rates, fees and charges in accordance with the Special District Act in order to generate additional revenue for the payment of operating costs as needed. The Districts may receive fees in lieu of taxes from property within the Medical Campus pursuant to agreements between the parties. The Districts will not, without the prior written approval of the City Manager, apply for Conservation Trust Funds, Great Outdoors Colorado funds, or other funds available from or through governmental or nonprofit entities for which the City is eligible to apply.

The anticipated revenue sources will be sufficient to retire the Districts' proposed indebtedness if growth occurs as projected. Variations in assessed valuation projections or in the phasing of private improvements may affect the mill levy and the level of fees, rates and charges

upward or downward from those set forth in the Financing Plan. No funds or assets of the City will be pledged as security for the repayment of any obligation of the Districts. The property tax levies of each of the Districts will not exceed the Limited Mill Levies, subject to certain adjustment as authorized in Part VIII.D.

F. Operations, Maintenance and Administration.

District No. 3 will, pursuant to the Inter-District IGA, coordinate and manage all operations and maintenance functions for all Improvements, the costs of which will increase as property within the Service Area is developed. The Districts will need sufficient funds to operate and maintain all Improvements, until such time as the Improvements are transferred to the City or other appropriate entities, and ongoing operation and maintenance costs for those Improvements that the Districts retain ownership in accordance with this Service Plan. In addition, the Districts will incur costs for various administrative functions, including legal, engineering, accounting and compliance. At full build-out, a property tax of thirty five (35) mills levied within District No. 4 would be sufficient to operate the District and to maintain the Improvements not transferred to the City, although it is anticipated the Owner's Association will pay all operation and maintenance costs. The preliminary operating budget of the District is projected initially to be \$170,800 annually.

IX. INCLUSIONS / EXCLUSIONS

The Districts may include or exclude any property within the Inclusion Area as depicted in **Exhibit C** into or from one of the other Districts without the prior consent of the City. It is anticipated that other property within the Crader Subdivision may, following the District's organization, be included into District No. 4. No property in the Development will be included into more than one District, except as otherwise authorized herein. The Districts' boundaries will be adjusted to accomplish the objectives set forth herein, and any inclusion or exclusion in compliance therewith will not constitute a material modification of this Service Plan. The inclusion of any property into any of the Districts that is not located within the Inclusion Area as depicted in **Exhibit C** or into more than one District, except as otherwise authorized herein, shall require the prior written approval of the City Council. Inclusion and/or exclusion proceedings shall be conducted in accordance with Section 32-1-401, et seq., C.R.S., and Section 32-1-501, et seq., C.R.S., as applicable.

X. DISSOLUTION / CONSOLIDATION

The Districts may, after first providing written notice to the City Manager at least forty-five (45) days before the adoption of any resolution, pursue consolidation of their boundaries or dissolution in accordance with Parts 6 or 7 respectively of the Special District Act. The approval of the City Council will be required prior to the consolidation of any one of the Districts with any special district other than a consolidation between or among the Districts.

District No. 4 will dissolve the later of (i) thirty (30) years after the date of its organization, or (ii) when there are no operation or maintenance obligations, financial obligations, outstanding bonds or other obligations, or (iii) upon a determination of the City Council that all of the purposes for which District No. 4 was created have been accomplished

and that all of its financial obligations have been defeased or secured by escrowed funds or securities meeting the investment requirements in Part 6 of Article 75 of Title 24, C.R.S. District No. 4's dissolution prior to payment of all debt shall be subject to the approval of a plan of dissolution in the District Court pursuant to Section 32-1-704, C.R.S.

XI. REQUIRED DOCUMENTATION AND COORDINATION WITH CITY

At least annually following the year of its organization, District No. 4 shall provide notice by publication of its existence and of the next scheduled public meeting of its Board of Directors. Such meeting shall occur at least thirty (30) days and not more than sixty (60) days following the date of publication. Such notice shall include the address of the District office where the names and addresses of its Board of Directors and officers and the address, telephone number, fax number, and email address of the Districts may be obtained and shall also include reference to the existence of a District file maintained by the City as described below.

District No. 4 shall provide to the City the following information and documents on an annual basis: (i) the current fiscal year budget; (ii) construction schedules and capital improvement programs for the current fiscal year; (c) audited financial statements for the prior fiscal year; (iv) total debt authorized and total debt issued and remaining debt authorized and intended to be issued; (v) and the name and address / telephone number of the Districts' contact person and the names and terms of members of the Board of Directors and its officers; and the following information and documents shall be provided with such annual filing following their adoption or any amendment thereof: (vi) any bylaws, rules and regulations of the District regarding bidding, conflict of interest, contracting and other governance matters; (vii) intergovernmental agreements; (viii) official statements of outstanding bonded indebtedness, if not already received by the City; and (ix) the Service Plan.

The following events shall be reported to the City Manager within thirty (30) days of such occurrence, to the extent such information is known and available to District No. 4: (i) a negative change in any bond rating or the failure of a credit facility; (ii) a change, if known, in any development assumption that materially and negatively impacts the bond financing projections; or (iii) a change in use of a particular property (i.e., from commercial to residential use) that materially and negatively impacts District No. 4's ability to discharge indebtedness.

XII. MODIFICATIONS AND OTHER APPROVAL REQUIREMENTS

The following actions or changes to this Service Plan shall require the identified approvals prior to the undertaking of such action but without having to amend this Service Plan: (i) inclusion of any property into any one of the Districts that is not located within the Inclusion Area as depicted in **Exhibit C** will require the prior approval of the City Council; (ii) consolidation of any one of the Districts with any special district other than a consolidation between or among the Districts will require the prior approval of the City Council; (iii) a material change in the type of revenue sources used for bonded indebtedness, other than as authorized in Part VIII, will require the prior written approval of the City Manager; (iv) formation of separate corporations, authorities or other entities, other than an enterprise established under TABOR, shall require the prior written approval of the City Manager, except as otherwise authorized herein; (v) incurrence of debt in any material amount or type or at any time not authorized by the

Service Plan shall require the prior written approval of the City Manager; (vi) construction of any public improvements or the provision of any services other than the Improvements described in this Service Plan shall require the prior written approval of the City Manager; (vii) acquisition of land or easements that would otherwise be dedicated to the City will require the prior written approval of the City Manager; (viii) condemnation of property or easements will require the prior written approval of the City Manager; (ix) dissolution of District No. 4 prior to the repayment of all debt will require the prior approval of the City Council; and (x) if so required by the City Manager, failure of District No. 4 to timely approve and execute an intergovernmental agreement with the City implementing certain provisions of this Service Plan will require the prior approval of the City Council.

XIII. CONCLUSION

This Service Plan establishes that:

There is sufficient existing and projected need for organized service in the area to be served by District No. 4;

The existing service in the area to be served by District No. 4 is inadequate for present and projected needs within the Development;

District No. 4 (acting in cooperation with the other Districts) is capable of providing economical and sufficient service to the area within its proposed boundaries;

The area to be included in District No. 4 (and the other Districts) does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis;

Adequate service is not, and will not be, available to the area through the City or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis;

The facility and service standards of District No. 4 are compatible with the facility and service standards of the City;

The proposal is in substantial compliance with the City comprehensive plan;

The proposal is in compliance with any duly adopted City, regional, or state long-range water quality management plan for the area; and

The organization of District No. 4 is in the best interests of the area proposed to be served.

EXHIBIT A

LEGAL DESCRIPTION OF DISTRICT BOUNDARIES

Lot 3 R. & East Owen Road Extension Parcel of the RESUBDIVISION OF THE CRADER SUBDIVISION AND LOT 1R & TRACT 1A-1R RESUBDIVISION, as recorded in the office of the La Plata County, Colorado, Clerk and Recorder under Reception Number 1085976;

And

Lot 8 & Lot 9 of the RANCHO VEDADO PHASE2, as recorded in the office of the La Plata County, Colorado, Clerk and Recorder under Reception Number 960726.

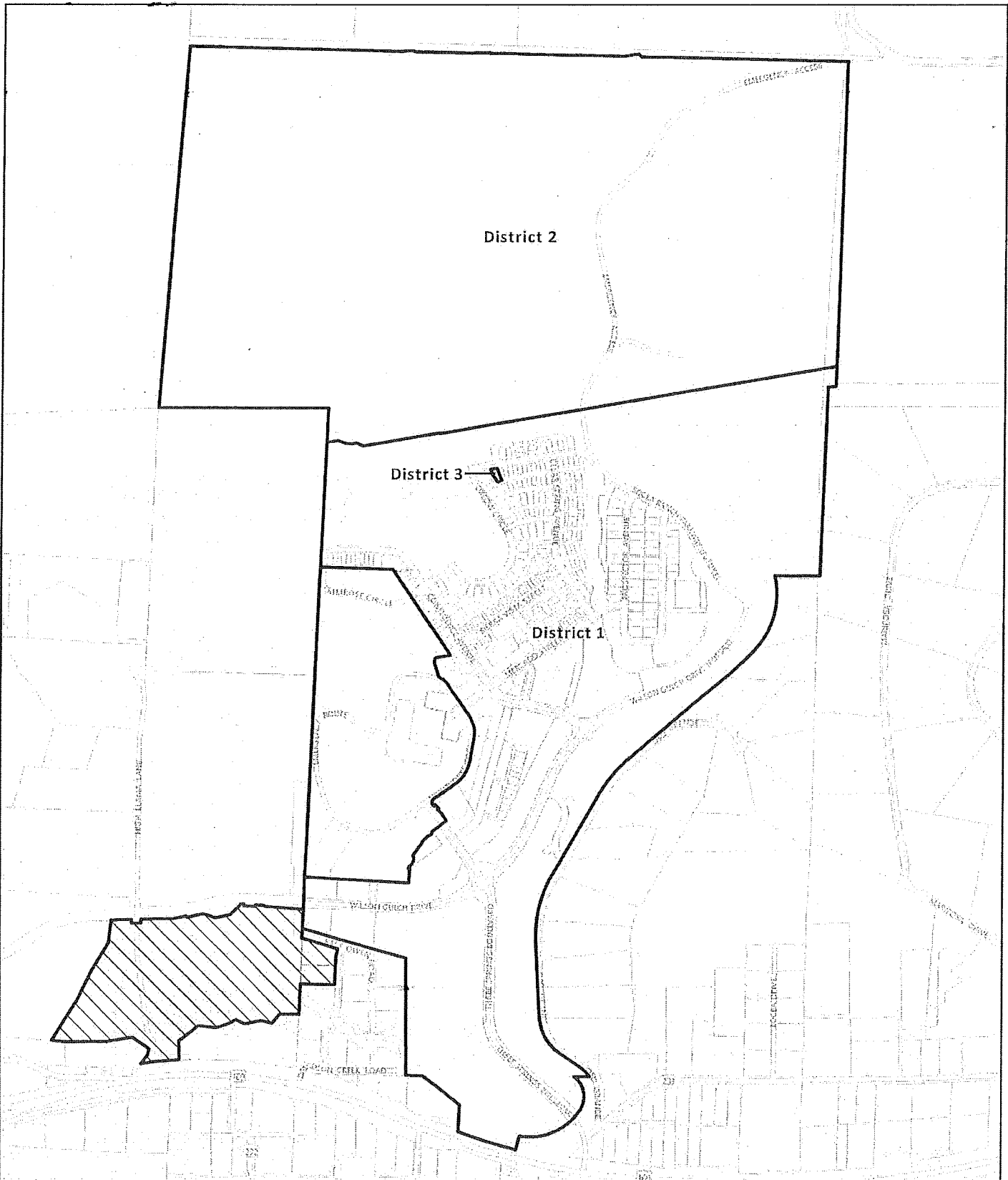

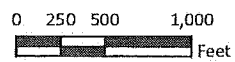


Exhibit B
Metro District 4 Boundary

Located In: City of Durango
 Section 2 and Section 11 T 34 N &
 Section 35 T 34 1/2 N
 R 9 W, N.M.P.M

 Metro District 4

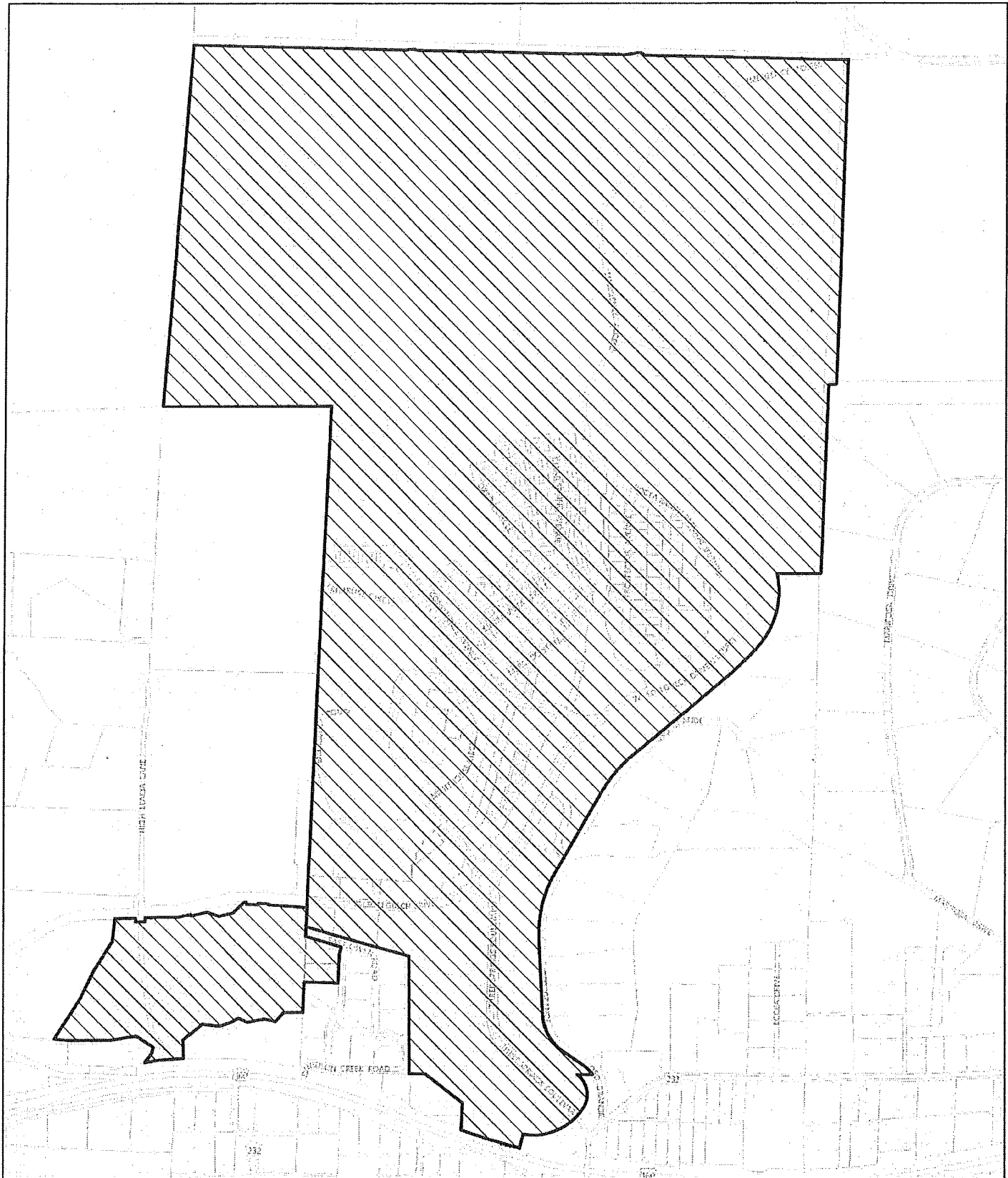


1 inch = 1,000 feet

Date: 12/28/2015




GRVP, LLC
 175 Mercado Street
 Durango, CO 81301
 970-387-4254



**Exhibit C
Inclusion Area**

Located In: City of Durango
Section 2 and Section 11 T 34 N &
Section 35 T 34 1/2 N
R 9 W, N.M.P.M

 Inclusion Area

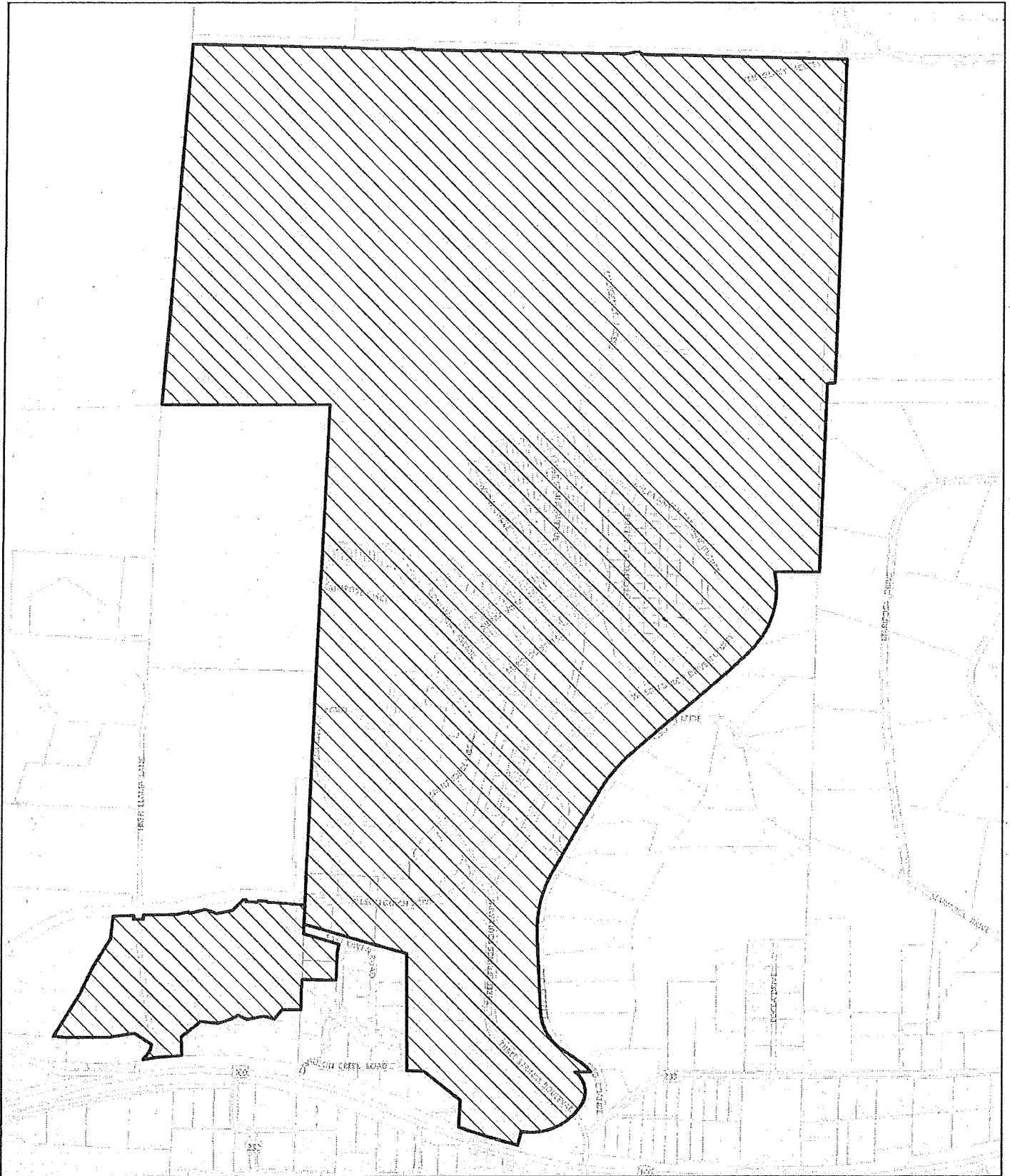
0 250 500 1,000
Feet

1 inch = 1,000 feet

Date: 12/28/2015




GRVP, LLC
175 Mercado Street
Durango, CO 81301
970-387-4254



**Exhibit D
Service Area**

Located In: City of Durango
Section 2 and Section 11 T 34 N &
Section 35 T 34 1/2 N
R 9 W, N.M.P.M

 Service Area

0 250 500 1,000
Feet

1 inch = 1,000 feet

Date: 12/28/2015



GRVP, LLC
175 Mercado Street
Durango, CO 81301
970-387-4254

EXHIBIT E

COST ESTIMATES OF IMPROVEMENTS Three Springs Metropolitan District #4

Summary of District Funded Capital Improvements

Presented: January 13, 2016

Description	Estimated Cost	20% Contingency	Estimated Cost with Contingency
Overlot Grading	\$294,152	\$58,830	\$352,982
Detention Ponds	\$352,650	\$70,530	\$423,180
Landscaping & Irrigation	\$605,541	\$121,108	\$726,649
Sewer	\$247,024	\$49,405	\$296,429
Water	\$395,538	\$79,108	\$474,646
East Owen Road	\$468,585	\$93,717	\$562,302
Ewing Mesa Road	\$300,375	\$60,075	\$360,450
Total	\$2,663,865	\$532,773	\$3,196,639

Exhibit F

Three Springs Metro District #4 Financing Plan

	0	1	2	3	4	5	6	7	8	9	10	11	12
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Market Value Added Per Year	\$0	\$0	\$6,480,984	\$937,248	\$8,506,708	\$0	\$5,610,733	\$709,049	\$0	\$0	\$0	\$0	\$0
Cumulative Market Value	\$0	\$0	\$6,480,984	\$6,838,232	\$10,344,940	\$10,344,940	\$15,955,673	\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722
Cumulative Market Value (inflated 3% biennially)	\$0	\$0	\$6,675,411	\$7,249,117	\$10,969,382	\$11,298,463	\$17,429,468	\$18,738,673	\$18,738,673	\$19,300,834	\$19,300,834	\$19,879,859	\$19,879,859
Assessment Rate	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%
Assessed Value	\$0	\$0	\$1,935,869	\$2,102,244	\$3,181,121	\$3,276,554	\$5,054,543	\$5,434,215	\$5,434,215	\$5,597,242	\$5,597,242	\$5,765,159	\$5,765,159
Mill Levy (50 mills)	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Projected Ad Valorem Revenue Transferred to District #3 or #1	\$0	\$0	\$96,793	\$105,112	\$169,056	\$183,828	\$252,727	\$271,711	\$271,711	\$279,862	\$279,862	\$288,258	\$288,258
CapEx (Grading, Drainage, Landscaping, Sewer, Water, Roads)	\$ 1,383,207	\$ 1,280,658											
Developer Advance Interest (7.875%)	\$ 108,928	\$ 218,357	\$ 227,931	\$ 237,603	\$ 243,788	\$ 250,085	\$ 249,877	\$ 248,158	\$ 246,303	\$ 243,660	\$ 240,609	\$ 237,072	
Interest Payment Shortfall (Surplus)	\$ 108,928	\$ 121,564	\$ 122,818	\$ 78,547	\$ 79,960	\$ (2,642)	\$ (21,834)	\$ (23,553)	\$ (39,559)	\$ (36,202)	\$ (47,449)	\$ (51,186)	
Developer Advance Note Balance	\$ 1,383,207	\$ 2,772,793	\$ 2,894,357	\$ 3,017,176	\$ 3,095,722	\$ 3,175,682	\$ 3,173,040	\$ 3,151,206	\$ 3,127,653	\$ 3,094,094	\$ 3,057,892	\$ 3,010,443	\$ 2,959,257
O&M Expenses to be paid for by Owners Association (inflated 1.5% annually)			\$ 170,000	\$ 172,531	\$ 176,100	\$ 177,707	\$ 180,353	\$ 183,038	\$ 185,763	\$ 188,529	\$ 191,336	\$ 194,185	\$ 197,076

13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722	\$16,664,722
\$20,476,254	\$20,476,254	\$21,090,542	\$21,090,542	\$21,723,268	\$21,723,268	\$22,374,956	\$22,374,956	\$23,046,205	\$23,046,205	\$23,737,591	\$23,737,591	\$24,448,719	\$24,449,719	\$25,189,210	\$25,183,210	\$25,938,707
29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%
\$5,938,114	\$5,938,114	\$6,116,257	\$6,116,257	\$6,299,745	\$6,299,745	\$6,488,737	\$6,488,737	\$6,683,399	\$6,683,399	\$6,883,901	\$6,883,901	\$7,090,418	\$7,090,418	\$7,303,131	\$7,303,131	\$7,522,225
0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
\$296,906	\$296,906	\$305,813	\$305,813	\$314,987	\$314,987	\$324,437	\$324,437	\$334,170	\$334,170	\$344,195	\$344,195	\$354,521	\$354,521	\$365,157	\$365,157	\$376,111
\$ 293,041	\$ 226,012	\$ 222,567	\$ 216,033	\$ 208,963	\$ 200,613	\$ 191,606	\$ 181,146	\$ 169,862	\$ 156,922	\$ 142,964	\$ 127,117	\$ 110,022	\$ 90,788	\$ 69,997	\$ 46,754	\$ 21,679
\$ (63,864)	\$ (68,894)	\$ (83,226)	\$ (89,780)	\$ (106,025)	\$ (114,374)	\$ (132,831)	\$ (143,291)	\$ (164,308)	\$ (177,248)	\$ (201,231)	\$ (217,078)	\$ (244,499)	\$ (263,753)	\$ (295,159)	\$ (318,403)	\$ (354,432)
\$ 2,895,393	\$ 2,826,499	\$ 2,743,273	\$ 2,653,493	\$ 2,547,468	\$ 2,433,094	\$ 2,300,264	\$ 2,156,973	\$ 1,992,664	\$ 1,815,417	\$ 1,614,186	\$ 1,397,108	\$ 1,152,609	\$ 888,856	\$ 593,697	\$ 275,294	\$ -
\$ 200,011	\$ 202,969	\$ 206,011	\$ 209,078	\$ 212,191	\$ 215,350	\$ 218,557	\$ 221,811	\$ 225,113	\$ 228,455	\$ 231,867	\$ 235,319	\$ 238,823	\$ 242,378	\$ 245,987	\$ 249,550	\$ 253,067