

REUNION SPORTS, ENTERTAINMENT AND CULTURAL METROPOLITAN DISTRICT

PROJECT NARRATIVE

The Reunion Sports, Entertainment and Cultural Metropolitan District (the “**District**”) is being organized in partnership with the City specifically to serve as a governance structure to assist in the design, construction, financing and operation of the Reunion Center sports, entertainment and cultural venues located within the Reunion Center. As a Title 32 special district, the District will be overseen by a 7-member governing board whose primary purpose is to serve as an umbrella operating body to promote, market, schedule and build programmatic partnerships for the generation of visitors to the Reunion Center. The District will also establish coordinated shared policies and procedures for the use of facilities within the boundaries of the District.

1. Proposed Service Plan.

(a) **Single District Structure.** The proposed Service Plan for the Reunion Sports, Entertainment, and Cultural Metropolitan District (the “**Service Plan**”) provides for a single district structure. However, it is anticipated that the District will coordinate and cooperate with Reunion Center Metropolitan District Nos. 1-5 in relation to the design, acquisition, construction, installation, relocation, redevelopment, maintenance and financing of the Public Improvements within and without the District Boundary, and will enter into such intergovernmental agreements as may be necessary in relation to the same. The exact structure governing the relationship among the same has not yet been finally determined. As such, drafts of such intergovernmental agreements have not yet been prepared.

(b) **Service Plan Powers.** The District will have the power and authority to provide Public Improvements (including street improvements, safety controls, water improvements, sanitation improvements, stormwater improvements, and park and recreation improvements), mosquito control, and covenant enforcement and design review services, within and without the District’s boundaries as such power and authority is described in the Special District Act and other applicable statutes, common law, and the Colorado Constitution, subject to specific limitations set forth in the Service Plan.

(c) **Preliminary Engineering Survey.** An estimate of the costs of the Public Improvements that may be planned, designed, acquired, constructed, installed, relocated, redeveloped, maintained and/or financed by the District was prepared based upon a preliminary engineering survey and estimates derived from the zoning on the property within the District’s proposed boundaries, including the future permitted Inclusion Area. The estimated cost of such Public Improvements is \$157,000,000.

(d) **District Debt.** The Service Plan places the following limitations on the Debt that may be issued by the District:

(i) **Total Debt Issuance Limitation:** \$150,000,000, unless an increase to the same is otherwise permitted in the District Activities IGA or other intergovernmental agreement with the City.

(ii) **Maximum Debt Mill Levy:** If the total amount of the District's aggregate Debt exceeds fifty percent (50%) of the District's assessed valuation, the Maximum Debt Mill Levy is fifty (50) mills, subject to Gallagherization as of January 1, 2003. If the total amount of the District's aggregate Debt is equal to or less than fifty percent (50%) of the District's assessed valuation, either on the date of issuance or any time thereafter, the mill levy to be imposed to repay such portion of Debt is not subject to the Maximum Debt Mill Levy.

Metro District Name	Public Improvements	Debt Limit	Debt Limit Includes ARI?	ARI Debt Limit	Total Debt Capacity	Organizing and Operating Reimbursement	First Year Operating and Maintenance
(Location in Service Plan)	V.B	V.A.15	No	N/A	Calculate	VI.H	VI.H
Reunion Sports, Entertainment and Cultural Metropolitan District	\$157,000,000	\$150,000,000	N/A	N/A	To be determined as programming for the District is developed	\$150,000	\$50,000

(f) **Compliance with the City of Commerce City's Model Service Plan.** The District is located within the master planned Reunion community within the City of Commerce City. There are six existing Title 32 districts (the "**Reunion/North Range Districts**") that have been previously organized, which encompass a large portion of the area within Reunion that has already been developed. The intent of the proposed Service Plan is to, as closely as possible, mirror the authorization, limitations and powers set forth in the service plans of the Reunion/North Range Districts so that all residents and property owners within the greater Reunion community are on an equal basis in regard to district services afforded to the overall community and district financial and mill levy burdens imposed by and through the various districts. Additionally, there are provisions in the Model Service Plan which, if included, could impact the ability of the District to provide the Public Improvements as intended. As such, certain deviations from the Model Service Plan are requested. The following summarizes areas where the proposed Service Plan deviates from the City of Commerce City's Model Service Plan:

(i) *Maximum Debt Mill Levy Imposition Term:* The City's Model Service Plan prohibits districts from imposing a debt service mill levy for repayment of debt which extends beyond 40 years after the year of the initial imposition of such mill levy unless a majority of the Board are residents of the district and have voted in favor of a refunding of all or a part of the debt and such refunding will result in a certain net present value savings. This limitation is not contained in the service plans for the Reunion/North Range Districts, and has been removed from the proposed Service Plan in order to ensure consistency in the district financial burdens in Reunion.

(ii) *Operations and Maintenance Limitation.* It is anticipated that the District will operate and maintain all of the public amenities, including but not necessarily limited to the baseball and softball fields, multipurpose fields, indoor training center, fieldhouse, icehouse, water house and the food hall and market area, along with all common areas. As such the operation and maintenance limitation in the Model Service Plan has been removed.

(iii) *Conveyance Limitation.* The City's Model Service Plan would require the District, upon 90 days' written notice from the City, to convey property owned by the District to the City that is necessary for any City capital improvement project for transportation, utilities or drainage. If significant construction, especially vertical construction of Public Improvements, has been commenced or completed on any particular property, required conveyance to the City pursuant to this provision could be detrimental to the overall course of development and/or financing of the Public Improvements in the District. Accordingly, this provision has been removed from the proposed Service Plan.

(iv) *Eminent Domain Limitation.* This limitation in the Model Service Plan would prevent the District from exercising the power of eminent domain except as otherwise provided in the District Activities IGA. As a consideration whether an entity exists as a political subdivision, the Internal Revenue Service looks at numerous elements. Currently, the analysis involves whether an entity has substantial authorization to exercise on or more of the following powers: (1) police power, (2) taxing power, and (3) condemnation power. In the context of ever-changing tax analysis applicable to Title 32 districts for a developing district, tax counsel has found that the taxing power against a minimal number of property owners is not a "sufficient" taxing power. This obviously changes as residential development progresses and third party owners purchase property within a district. As a consequence, the power of eminent domain has become increasingly important for Title 32 districts where bonds are issued early in the development phases. As such, we have removed this limitation from the proposed Service Plan.

(iv) *Exclusion Limitation.* The City's Model Service Plan provides that a District shall not exclude from the District Boundary any property within the Service Area without the prior written consent of the City Council. It is contemplated that the initial boundary of the District will be relatively small to provide maximum flexibility as the development phasing progresses. The District Boundary will be adjusted as development progresses to ensure the most efficient financing and construction phasing through the District. As a consequence, it may be necessary to adjust the District Boundary through both inclusions and exclusions to accomplish this goal. The intent is not to exclude property from the overall Service Area but rather have flexibility with regard to the ultimate District Boundary. As such, we have slightly modified this language to prohibit exclusions of any property within the Service Area from the District Boundary once debt encumbers property within the District Boundary.

(v) *Public Improvements Fee Limitation.* The City's Model Service Plan prohibits the imposition, collection, receipt, spending or pledge of any public

improvement fee. The Financial Plan for the District specifically contemplates the imposition and use of a public improvement fee, the proceeds of which may be pledged to Debt issued by the District or for purposes of operations and maintenance.

(vi) *Sales and Use Tax.* The Model Service Plan would prohibit the District from invoking or exercising any actual or perceived City sales and use tax exemption. Because the District will be tax exempt entities, this limitation would prohibit the District from exercising the benefit to be exempt from sales and use taxes on materials, etc. purchased by the District and have a consequential financial burden to the property owners and residents. This provision has been modified in the proposed Service Plan to allow the District to utilize sales tax exemptions if permitted by the District Activities IGA or other intergovernmental agreement with the City.

(vii) *Debt Mill Levy Limitation.* The City's Model Service Plan states that if the total amount of aggregate debt of a district exceeds fifty percent (50%) of the District's assessed valuation, the Maximum Debt Mill Levy is fifty (50) mills, subject to Gallagher adjustments for changes occurring after January 1, 2004. This is similar to the debt mill levy cap contained in the service plans for the Reunion/North Range Districts. However, in order for the Maximum Debt Mill Levy applicable to the District to be the same as that which can be imposed by the Reunion/North Range Districts, this benchmark should be 2003. The Proposed Service Plan has been revised accordingly.

2. Metropolitan District Criteria and How the Districts Address the Same.

(a) *There is sufficient existing and projected need for organized service in the area to be serviced by the District.* Development of the property within the District will require significant Public Improvements, including street, water, sanitary sewer, stormwater, and park and recreational improvements. This includes, but is not limited to, the various recreational amenities to be developed and ultimately owned, operated and maintained by the District, including but not limited to baseball, softball and multi-purpose sports fields, an indoor training center, a field house, an ice house, swimming facilities, and a food hall and market.

(b) *The existing service in the area to be served by the District is inadequate for present and projected needs.* No other entities are able or willing to finance the necessary costs for the Public Improvements for the development. It is appropriate to require the developable area to pay its own way in connection with the costs of the Public Improvements. Additionally, the District anticipates providing maintenance and operational services in connection with the Public Improvements and no other entity is able to undertake the provision of such services.

(c) *The District is capable of providing economical and sufficient service to the area within the District Boundary.* The District is being established with both property tax and fee authorization, as limited by the Service Plan. It is anticipated that the District will be able to provide the Public Improvements and related operational services within those limitations.

(d) *The area to be included in the District has, or will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.* The Finance Plan describes the manner in which the District will be able to reasonably discharge its debt with a debt mill levy of

63.541, as adjusted per the Service Plan, and within the other limitations set forth in the Service Plan. The Financing Plan for the District will include the ability to impose various fees and charges to support debt issued by the District, including Public Improvement Fees and User Fees.

(e) *Adequate service is not, and will not be, available to the area through the City or county or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis.* Again, no other entities are able or willing to finance the costs of construction, operation or maintenance of the Public Improvements necessary for the project.

(f) *The facility and service standards of the District are compatible with the facility and service standards of the City within which the District is to be located and each municipality which is an interested party under Section 32-1-204(1), C.R.S.* The Service Plan requires the District to design and construct the Public Improvements in accordance with the standards and specifications of the City and of other governmental entities having proper jurisdiction.

(g) *The proposal is in substantial compliance with a comprehensive plan adopted pursuant to the City Code.* The Service Plan is in compliance with the City's Model Service Plan, except as otherwise indicated above. All development plans, site plans, etc. have been or will be reviewed and/or approved by the City, as required in accordance with the City's standard practice.

(h) *The proposal is in compliance with any duly adopted City, regional or state long-range water quality management plan for the area.* All water quality management plans will be submitted to the appropriate jurisdictions for review and/or approval, as required.

(i) *The creation of the District is in the best interests of the area proposed to be served.* Without the formation of the District, there would be no other entities able or willing to provide for the financing of the construction, operation or maintenance associated with the Public Improvements necessary for the project. Creation of the District is in the best interest of the area to be served as it will allow for the timely and organized development of the property on the most efficient basis and will provide amenities and public venues for the general public.