

City of Loveland Metropolitan District  
Service Plan Model, Policy and Disclosure  
Agreement  
April 10, 2018

The City of Loveland's Residential Metropolitan District Service Plan, in addition to the standard provisions of a Metropolitan District Service Plan, identifies 12 requirements or conditions for City Council to consider ensuring that a proposed district has sufficient financial support to complete public improvements while limiting the financial impact on future residential homeowners.

	Description	Requirement/Condition	Consequence/Purpose
1	Limit Inactive Districts	A district must issue debt within 5 years of the original date of City Council's approval of the Service Plan.	If the district issues no debt within the period, the district must commence dissolution proceedings unless City Council grants an extension.
2	Public Improvement Limits	The City can identify specific improvements that will not constitute public improvements.	The district cannot design, acquire, install, construct, finance, operate, maintain or otherwise use the district's funds or debt for such improvements.
3	Maximum Debt Limit	The City can specify this amount.	This ensures the amount reasonably relates to the improvements, does not overburden residents and is consistent with past City authorizations.
4	Maximum Debt Term	No debt can have a term of more than 40 years from the date of issuance.	40 years after the date of debt issuance, any remaining balance is discharged. This provides homeowners with an end date for the debt mill levy.

	<b>Description</b>	<b>Requirement/Condition</b>	<b>Consequence/Purpose</b>
5	Debt Repayment Deadline	The district must repay all debt within 45 years from approval of the service plan.	Any debt that exists after 45 years from the service plan approval is extinguished. This coincides with the 5-year deadline to issue debt above. This also provides homeowners with an end date for the debt mill levy.
6	Extensions of Debt Term or Repayment Deadline	If a majority of a board approving an extension is comprised of residents, the debt term and/or repayment deadline extensions may occur.	This provision is to encourage the transfer of power from the initial creator of the district to the residents.
7	Last Debt Issuance	The district can issue no debt 10 years after the original date of City Council's approval of the service plan.	No new debt may be issued 10 years after approval of the service plan to encourage timely construction of the improvements and the project.
8	Disclosure Policy	The district can issue no debt until the owner of the property in the district executes a disclosure agreement with the City and records it with the County.	The disclosure agreement requires the owner to provide specific disclosures to initial home purchasers about the district.
9	Metropolitan District Notice	The district can issue no debt until the owner records a specific notice regarding the district with the County.	The 2-page disclosure generally identifies the existence of the district, contact information for the district, and the effect of the district on a homeowner's property taxes.
10	Debt Mill Levy Cap	The City can specify this amount.	This ensures that the debt mill levy on the property does not overburden residents, and is consistent with past City authorizations.

	<b>Description</b>	<b>Requirement/Condition</b>	<b>Consequence/Purpose</b>
11	O&M Mill Levy Cap	A separate operations and maintenance mill levy maximum is specified.	The O&M mill levy cap prevents a district from maintaining a high Total Mill Levy by increasing the O&M budget once the Debt Mill Levy is paid.
12	Material Modification Definition	The service plan identifies a number of actions as material modification to the service plan, such as increasing or decreasing the district size, increasing the Debt Mill Levy Cap, O&M Mill Levy Cap or the debt limit, or extending the debt term, debt repayment date or last debt issuance date.	Any material modification requires notice to residents, an opportunity to be heard before City Council, and City Council approval. This is intended to provide more transparency to district action and oversight by City Council.

**AGREEMENT REGARDING DISTRICT DISCLOSURES**  
**(Insert District Name)**

THIS AGREEMENT REGARDING DISTRICT DISCLOSURES (this “Agreement”) is executed as of the \_\_\_\_ day of \_\_\_\_\_, 2018, by and between the CITY OF LOVELAND, COLORADO, a municipal corporation (the “City”), and Insert Property Owner Name, a Insert State Insert type of entity (LLC, corporation, etc.)(the “Property Owner”).

**Recitals**

A. The Property Owner owns certain real property located within the City’s boundaries, which property will be developed for residential uses (the “Property”). The Property is more particularly described on **Exhibit A**.

B. The Property comprises all of the property in Insert District Name (the “District”) as defined and provided for in the Consolidated Service Plan for Insert District Name (the “Service Plan”).

C. As a condition to its approval of the Service Plan, the City requires that the Property Owner agree to provide certain disclosures regarding the District to prospective purchasers (“Lot Purchasers,” as further defined herein) of lots (“Lots”) within the Property from the Property Owner.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned hereby agree as follows.

**Agreement**

1. Disclosure Requirement. At the time any Lot Purchaser enters into a reservation agreement with the Property Owner for a Lot within the Property, or if such Lot Purchaser does not enter into a reservation agreement, then prior to the time such Lot Purchaser enters into a written contract with the Property Owner for the purchase of a Lot within the Property, the Property Owner will provide to the Lot Purchaser a copy of a General Disclosure and Common Questions Regarding Insert District Name, which shall include the Estimate of Property Taxes with and without the District’s proposed maximum mill levy, in the form attached hereto as **Exhibit B** (the “Disclosure”). The Property Owner shall retain a copy of the Disclosure signed by all Lot Purchasers for its records. The Property Owner shall include the Estimate of Property Taxes attached as Exhibit B to the Disclosure, in all printed pricing schedules and related cost materials provided to prospective purchasers for the Property.

2. Notice Requirement. Prior to the sale of any Lot within the Property, Property Owner shall record a notice that, among other information, identifies all the Lots as being within a metropolitan district and provides detailed information regarding the anticipated average home sales price within the Property, the maximum possible mill levy, the financial

effect of the maximum possible mill levy on the Lot Purchaser's property taxes, and contact information for the metropolitan district. Such notice shall be in the form attached hereto as **Exhibit C** (the "Metropolitan District Notice").

3. Amendments to Disclosure or Metropolitan District Notice. The Property Owner shall not amend the Disclosure or Metropolitan District Notice without the prior written approval by the City of such amendments, except that the Property Owner may correct minor typographical or clerical errors, and periodically update the average home sales price, assessment ratios, mill levies, and similar information contained in the Disclosure and Metropolitan District Notice without the prior written approval of the City.

4. City's Remedies. In the event that the Property Owner fails to comply with the requirements of this Agreement, the City shall be entitled to seek specific performance thereof, and if the City prevails, it shall be entitled to recover from the Property Owner all of its costs and expenses incurred in connection therewith, including reasonable attorneys' fees and costs.

5. Lot Purchasers' Remedies. In the event that a Lot Purchaser does not receive a copy of the Disclosure prior to the time such Lot Purchaser enters into a written contract with the Property Owner for the purchase of a Lot within the Property, such Lot Purchaser shall be entitled to terminate such contract and receive a full refund of its deposits thereunder at any time prior to the earlier of: (a) fifteen (15) days after a copy of the Disclosure is provided to such Lot Purchaser; or (b) the closing of Lot Purchaser's acquisition of the Lot from Property Owner.

6. Disclosure by Subsequent Owners. The Property Owner's obligation under this Agreement shall be a covenant running with the land which shall bind subsequent Developers (as defined below). All subsequent Developers of a Lot within the Property shall be required by the Property Owner in a written agreement to comply with the disclosure requirements of Section 1 and shall be subject to the remedies set forth in Sections 4 and 5 in connection with their sale of such Lot. Following the first sale of a Lot to a Lot Purchaser, such Lot shall cease to be subject to this Agreement. For the purposes of this Agreement, a "Developer" shall be a party which acquires a Lot for the purpose of selling that Lot or for constructing improvements for residential use thereon for resale to a Lot Purchaser, and a "Lot Purchaser" shall be a party who acquires a Lot with improvements for residential use constructed thereon or who acquires a Lot without improvements for the purpose of constructing improvements for residential use thereon.

7. No Third Party Beneficiaries. Except as provided in Section 5, this Agreement is for the benefit of, and may only be enforced by, the parties hereto. Except as set forth in Section 5, no third party shall have any rights, or be entitled to any remedies, arising out of this Agreement or any breach hereof.

8. Recitals. The Recitals set forth at the beginning of this Agreement are hereby incorporated in and made a part of this Agreement.

9. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, personal representatives, successors and assigns.

10. Facsimile Signatures; Counterparts. The facsimile signature of any party on this Agreement shall be deemed an original for all purposes. This Agreement may be executed in counterparts, each of which shall be deemed a duplicate original.

11. Recording. This Agreement shall be recorded in the Larimer County Clerk and Recorder's Office at the Property Owner's expense.

*[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]*

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Notary Public

STATE OF COLORADO )  
 ) ss:  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2018, by \_\_\_\_\_ as City Clerk of the City of Loveland, a municipal corporation.

Witness my hand and official seal.

My commission expires: \_\_\_\_\_.

Notary Public



By: \_\_\_\_\_  
Its: \_\_\_\_\_

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Notary Public

**Exhibit A**

**To Agreement Regarding District Disclosures**

**Legal Description of the Property**

**Exhibit B**

**To Agreement Regarding District Disclosures**

**Form of Disclosure**

**GENERAL DISCLOSURE AND COMMON QUESTIONS REGARDING  
Insert District Name**

**1. What does the District do?**

Insert District Name (the “District”) was organized, together with Insert District Name on \_\_\_\_\_, 2016, pursuant to a Consolidated Service Plan, approved by Resolution No. Insert Resolution No. of the City Council for the City of Loveland, Colorado, on Insert Date (the “Service Plan”) for purposes of constructing, operating and maintaining certain public improvements within the boundaries of the District. The District is a governmental entity governed by an elected board of directors made up of property owners and property taxpayers within the District’s boundaries.

The District’s boundaries are set forth in **Exhibit A** attached hereto. It is conceivable that additional boundary adjustments may be made within the District. Any such boundary adjustment is subject to prior approval by the owners of the property to be annexed and must be considered at a public hearing of the District’s board of directors.

Pursuant to the Service Plan, the District is authorized to construct, operate, and maintain a sanitary sewer system, storm drainage, potable water system, non-potable irrigation system, street system and traffic safety, and parks and recreation improvements for the benefit of the property owners of the District. The District may dedicate certain public improvements to the City of Loveland. The operations and maintenance of public improvements dedicated to the City shall rest with the City. Public improvements not dedicated to the City of Loveland shall be owned, operated, and maintained by the District. The District has authority to impose property taxes and other fees, rates, tolls, penalties, or charges to fund the construction and operations and maintenance for all improvements identified in the Service Plan. At some point in the future, the District may establish a one-time System Development Fee for all residential property within the District’s boundaries. The System Development Fee, to the extent imposed, will be collected on the initial transfer of property within the District to persons or entities not affiliated with the developer. All District fees and rates may be adopted and/or amended from time to time by the District’s board of directors at their discretion, as permitted by law.

Certain services may be provided within the District by one or more property owner associations expected to be organized as Colorado non-profit organizations comprised of all property owners in the District. Currently, no property owners association has been established within the boundaries of the District. If a property owners association is established, property owners will be subject to fees and assessments payable to the association which will be separate from and in addition to any fees or assessments payable to the District.

**2. How much property tax will the District collect to construct improvements and pay for operations?**

The District has authority to impose property taxes for the construction, operation, and maintenance of the improvements identified in the Service Plan. The District may issue bonds to provide for the costs of capital improvements within its boundaries. In order to meet the debt service requirements for bonds and to pay operations and maintenance costs associated with the provision of services, the District will impose a mill levy under the Service Plan. The mill levy authorized for the District under the Service Plan may not exceed 50 mills for the payment of debt obligations and related expenses and may not exceed a total of 65 mills for the payment of debt obligations and operations and maintenance expenses, which may be adjusted upward or downward over time as permitted in the Service Plan. In addition, various voter limitations exist which affect the taxing powers of the District, including

maximum annual taxing limitations and expenditure limitations. The TABOR Amendment, Article X, Section 20 of the Colorado Constitution, also provides for various legal limitations which may restrict the taxing and spending authority of the District.

**3. What are the advantages of metropolitan districts providing public improvements in lieu of cities or counties?**

Many areas in Colorado utilize special districts to finance public improvements. As cities and counties often do not provide water and wastewater systems, roads, or recreation facilities in new communities, special districts have been organized to build these facilities. Special districts, and the financial powers they utilize, may also permit earlier construction of recreation facilities and other amenities for the benefit of the community when compared with developments not within special districts. Where special districts are utilized, the costs of improvements within the community are generally spread over 20 to 30 years and are paid from mill levies. Special districts are governed by property owners within the community who are better able to address issues of concern to the community than could a larger city or county.

**4. How can I be assured that the District will not issue too many bonds and create unreasonably high mill levies?**

All bonds issued by the District will be governed by the controls adopted by the Colorado legislature governing the process by which bonds are issued by special districts. In addition, the organization and operation of the District are governed by the terms of the Service Plan, which limits the mill levy that may be assessed by the District for the payment of debt obligations and related expenses to 50 mills and the total mill levy that may be assessed by the District for debt obligations and operations and maintenance to 65 mills, subject to adjustments to account for changes in state law with respect to the assessment of property for taxation purposes, the ratio for determining assessed valuation, or other similar matters. The adjustment allows for tax revenues to be realized by the District in an equivalent amount as would have been realized by the District based on a levy of 65 mills absent any change in the manner of the assessment of property for taxation purposes, the ratio for determining assessed valuation, or other similar matters.

The mill levy limits will remain in place unless and until the Service Plan is amended to permit a change in this limit for the District. This limit, as well as others existing under Colorado law and various voter approvals, are believed to be adequate to control the tax levies within the District. As noted above, however, many of the limits of the Service Plan and existing voter limits may be amended from time to time.

Market constraints on property sales by the developer also require that the mill levy within the District be comparable to mill levies in competing development areas in order to further the community as an attractive place for individuals to purchase residential property. Therefore, in the initial stages of the development, it is in the District's and the project developer's best interest to maintain a mill levy in the District comparable to the total property taxes in other similar communities so that the property taxes paid for the amenities and services in the District are a good value.

**5. Who bears the risk that the community may not fully develop?**

Bondholders will be providing funding to the District for the District's construction of public improvements authorized by the Service Plan. These initial bonds for the District will be supported, in part, by the developer of the project. Property taxes paid by property owners on residential property will help pay the costs of all bonds issued by the District. This results in the risk of development being shared

in part by bondholders and the developer. The property owners also share risk relative to the bonds which are currently limited as noted above in paragraph 4. As previously stated, it is within the District's discretion to impose other fees to help pay for public improvements.

**6. What will my tax bill look like?**

In determining the tax liability due to for residential property, the County Assessor's Office first determines the actual value of the residential property based upon market approach to appraisal. Up to five years of market activity are analyzed. The actual value of the residential property is then multiplied by the assessment rate, which is set every odd numbered year by the state legislature, to determine the assessed valuation of the residential property. The current assessment rate on residential property is Insert Percent%. The mill levy is then multiplied by the assessed valuation of the residential property, resulting in the assessment for the residential property. For example, residential property with an actual value of \$300,000 would have an assessed value of \$Insert total assessed value (300,000 x Insert Percent). One mill (0.001) applied to that valuation for assessment produces \$Insert 1 mill of taxes of taxes (Insert Assessed Value x 0.001).

It is anticipated that the tax bill for your property will show mill levies for the City of Loveland, Larimer County, Larimer County Pest Control, Northern Colorado Water Conservancy District, Thompson R2-J School District, Thompson Valley Health Services District, and various other service providers, including Insert District Name. According to information available from the Larimer County Assessor, the total overlapping mill levy imposed upon the property within the boundaries of the District, but without any District mill levy, is currently Insert mills mills for tax year 2015 for collection in the year 2016. Therefore, without the District, the annual tax bill levied on a residential property with an actual value of \$300,000 would be approximately \$Insert total annual tax bill levied w/out district (Insert 1 mill of taxes x Insert mills).

The maximum mill levy the District is permitted to levy is 65.000 mills (0.065), and the portion of the annual tax bill levied by the District on a residential property with an actual value of \$300,000 would be approximately \$Insert total annual tax bill levied by district (Insert 1 mill of taxes x 65.000). Your tax bill for your property will also include mill levies from other taxing entities that overlap with the District's boundaries, making the total annual tax bill levied on the residential property approximately \$Insert Total (\$Insert annual tax bill levied w/out district+ \$Insert annual tax bill levied by district).

**Exhibit B** attached hereto sets forth the approximate mill levies that are currently levied against the property within the District and outlines the annual tax bills levied both with and without the District. Colorado taxing entities certify their mill levies on an annual basis, so the most accurate manner of ascertaining the specific taxing entities and current mill levies imposed on any property is by contacting the Larimer County Assessor's office directly.

**7. Where can I get additional information regarding the District?**

This document is not intended to address all issues associated with special districts generally or with Insert District Name specifically. The Service Plan for the District contains a full description of the District's purpose and functions. Prospective purchasers of property within the District are encouraged to read this document to be fully informed. A copy of the District's Service Plan is available in the Loveland City Clerk's Office. For additional information about the District, prospective purchasers may also contact the District's attorney's office of Insert Name & Contact Info of District's Attorney. The District's meetings are open to the public, at which time you can raise questions regarding any matter related to the activities of the District.

**[Remainder of page intentionally left blank].**

Dated this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

By: \_\_\_\_\_

President, Board of Directors

Insert District Name

Purchaser's Signature Acknowledging Receipt: \_\_\_\_\_

**EXHIBIT A**  
**TO GENERAL DISCLOSURE AND COMMON QUESTIONS**

**LEGAL DESCRIPTION OF**  
Insert District Name

Insert Legal Description



**EXHIBIT B**  
**TO GENERAL DISCLOSURE AND COMMON QUESTIONS**

ESTIMATE OF PROPERTY TAXES

**Annual Tax Levied on Residential Property With \$300,000 Actual Value Without the District**

<u>Taxing Entity</u>	Mill Levies (2017**)	Annual tax levied
Insert entity	Insert amount	\$ Insert amount
Larimer County	Insert amount	\$ Insert amount
City of Loveland	Insert amount	\$ Insert amount
Insert entity	Insert amount	\$ Insert amount
Insert entity	Insert amount	\$ Insert amount
Insert entity	Insert amount	\$ Insert amount
TOTAL:	Insert total	\$ Insert amount

**Annual Tax Levied on Residential Property With \$300,000 Actual Value With the District  
(Assuming Maximum District Mill Levy)**

<u>Taxing Entity</u>	Mill Levies (2017**)	Annual tax levied
Insert District Name	Insert amount	\$ Insert amount
Insert entity	Insert amount	\$ Insert amount
Larimer County	Insert amount	\$ Insert amount
City of Loveland	Insert amount	\$ Insert amount
Insert entity	Insert amount	\$ Insert amount
Insert entity	Insert amount	\$ Insert amount
Insert entity	Insert amount	\$ Insert amount
TOTAL:	Insert total	\$ Insert total

**Exhibit C**

**To Agreement Regarding District Disclosures**

**Metropolitan District Notice**