

**GRANBY RANCH METROPOLITAN DISTRICT
GRANBY RANCH METROPOLITAN DISTRICT NOS. 2-8
HEADWATERS METROPOLITAN DISTRICT**

Frequently Asked Questions

1. What are the Granby Ranch, Granby Ranch Nos. 2-8, and Headwaters Metropolitan Districts (the “Districts”)?

The Districts are local government entities organized in accordance with Title 32 of the Colorado Revised Statutes to provide public improvements, facilities, and services (streets, water and sewer, landscaping, parks and recreation, etc.) for the approximately 5,000 acre Granby Ranch community. At the time of the organization of the Districts there were no other governmental entities, including Grand County or the Town of Granby, or other agencies/organizations willing to undertake the financing, construction and operation of the public improvements necessary for the development of Granby Ranch. Without the Districts, development of the Granby Ranch community would have been unlikely.

2. Who governs the Districts?

The Districts are governed by a five-member Board of Directors, elected at-large, serving four-year staggered terms. Elections are held in May of even numbered years by state statute.

3. How are the Districts different from my HOA?

Homeowners associations (HOAs) are separate (and are legally different) from special districts. HOAs help maintain property values by being generally responsible for reviewing architectural plans, enforcing covenants of the community, and by maintaining and operating selected common areas within a community. In Granby Ranch, the HOA's provide architectural review and control, own and maintain certain open space and common areas, provide funding for beetle control, community identification, and recycling, monitor conformance with governing documents, and support community functions.

4. What is the purpose of the Districts?

The Districts were organized to finance, construct, operate and maintain public improvements necessary for the development of the Granby Ranch community. These improvements include: public streets, water treatment and distribution systems, storm water and drainage facilities, traffic safety improvements, transportation facilities and services, sewer systems, streetscape improvements, entry monumentation, mosquito control services, fire protection facilities, and park and recreation services and facilities.

Once constructed, all water transmission and distribution lines and facilities and all sewer interceptor lines and sanitary sewer facilities are maintained by the Town of Granby. All other improvements are owned and maintained by Headwaters Metropolitan District.

5. Why is there more than one District?

Granby Ranch is a large master planned development whose complete build out may occur over 30+ years. This will require neighborhoods and supporting infrastructure to be constructed in multiple phases rather than all at once. However, as the public infrastructure improvements are intended to be a fully integrated and cohesive system, it is necessary for a single entity, Headwaters Metropolitan District, as

the “service” or “coordinating” district, to oversee and manage the financing, construction and operation of all phases, thus providing coordinated administration and consistency throughout the development. Using a single coordinating district not only provides uniformity in the installation of the public improvements, it also provides efficiencies and costs savings in the administration and management of the Districts.

Granby Ranch Metropolitan District and Granby Ranch Metropolitan District Nos. 2-8 were established as “financing districts” or “taxing districts” to provide the tax base and other revenue sufficient to pay the costs of the financing, construction, and operation and maintenance of the public improvements, facilities, and services. The use of multiple financing districts allows for implementation of the financing plan over longer periods of time, thus permitting the coordination, timing and issuance of debt in such a way that improvements are constructed only when required, in a phased, systematic approach, and avoiding disproportionate cost burdens on early phases of development. In addition, the use of multiple taxing districts allows the maintenance of a uniform mill levy and reasonable tax burden on all residential and commercial areas of Granby Ranch.

6. What is the source of funding for the public improvements, facilities, and services?

The Districts rely on several sources of funding including property taxes levied against taxable real and personal property, amenity fees (currently \$10,000) and capital facilities fees (currently \$6,255) imposed pursuant to resolutions adopted by the boards, interest income, and specific ownership taxes.

7. Have the Districts issued bonds?

In 2006 Granby Ranch Metropolitan District issued bonds in the principal amount of \$14,725,000, and in 2011 Granby Ranch Metropolitan District issued bonds in the principal amount of \$11,119,000. The proceeds of the bonds were used to fund capital improvements including streets, water, stormwater, and sewer improvements (representative examples include certain neighborhood streets, the Fairways lift station and the East Mountain water tank). The 2006 bonds are currently held by third-party institutional investors, and the 2011 bonds are currently held by the developer of Granby Ranch. The interest rate on both series of bonds is 6.75%.

8. What funds are used to pay the bonds?

Property taxes, specific ownership taxes, interest income, and capital facilities fees are all used to repay the bonds. The property tax mill levy is capped at 50 mills, but is subject to adjustments to offset state law mandated changes in the assessment ratio applied to property so that the revenues from property taxes neither increase or decrease as a result of such laws. This is the so-called “Gallagher” adjustment.

9. What is the relationship of the Districts to our property tax mill levy, and how does Gallagher Amendment allow the mill levy cap to be increased?

The Districts’ mill levy is one of several levies on properties in the community. The taxes paid by property owners to Grand County each year are divided up by the County Treasurer to each taxing entity (Districts, School District, County, Town, etc) based on their mill levies.

Under the Gallagher Amendment, the State’s total property tax burden is divided between residential and nonresidential (commercial) property. 45% of the total amount of property tax collected must come from residential property, and 55% must come from commercial property. The law also requires that the assessment rate for nonresidential property be fixed at 29%. Therefore, the residential rate is annually adjusted to hold the 45/55 split constant. Due to this adjustment, residential properties pay less than they

used to. The Gallagher adjustment increases the mill levy to offset this decrease and ensure that the Districts collect the same amount of revenue they would have absent the adjustment.

10. Who bears the risk if revenues are insufficient to pay the bonds?

If revenues are insufficient to pay the bonds at the mill levy caps discussed above, bondholders bear the risk, not individual homeowners. In addition, recognizing that assessed valuation is subject to many variables, including the creation of new projects and the value of existing projects (and can actually go down, as the recent economic downturn has demonstrated in numerous markets), several credit enhancement vehicles were established to enhance the likelihood of repayment. These vehicles, essentially cash reserves, are accessed to pay debt service to the extent that the existing revenue is insufficient to pay the bonds. If revenues are insufficient to pay the debt service on the bonds after credit enhancement vehicles are exhausted, the bondholders may lose all or a portion of their initial investment. Bonds are not risk free and bondholders recognize the inherent risks of owning debt (hence the rate of return they receive on their investment). However, the mill levy for property owners within the Districts remains capped at the amount defined in the service plan – even in the event of a default.

The Districts are committed to expanding the use of available technology to make public documents more easily and readily available to the public, beyond the means required by law. This is designed to produce and assure full transparency. Please visit www.Colorado.gov/granbyranch for additional information about the Districts.