

# Amended Special District Policy and Model Plans

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# Summary



- Resolution adopting
  - Amended special district policy
  - Metropolitan district model service plans, and
  - Model business improvement district (BID) operating plan and budget

# Status



- Working Group process complete
- Policy and Model District Plans have been drafted
- Final formatting, editing and technical review being completed

# Background



- Policy has not been updated since 2006
- Metropolitan district model service plans not significantly updated since 2006
- BID model plan adopted in 2014

# Why an Update?



- Experience with over 200 district applications
- Recommended following 2019-2020 City Council sessions
- 2021 City Auditor Review of Metropolitan District Policy
- Gallagher Amendment has been repealed
- 2021 Colorado Revised Statutes changes

# Working Group



- Specific to this purpose
- Included Councilmembers Henjum and Williams
- 11 Formal Meetings
  - Open and posted, but no public testimony
- Not always a consensus process

# Major Policy Modifications and Changes



- Policy reformatted
- Introduction and purpose statements
- Terms and definitions now included
- Option to “pre-authorize” future debt issuance at time of district approval- consistent with City Charter
- Increases in residential district maximum debt and operating mill levies
- Interest rate caps and other limits on related party privately placed debt, and developer advances
- No authorities, special improvement districts (SIDs) or subdistricts without City Council approval
- Additional language regarding multi-district structures
- Focus on district web sites for disclosure

# Substantial Retained Language and Limits



## – For Example:

- Maximum 40- year debt mill levy imposition term for residential districts
- Non-administrative operations and maintenance authorities must be authorized
- No “end user debt service fees”
- No eminent domain without Council approval



# Debt Authorization



- Difference between formally issued debt and other long-term obligations (i.e. developer advances)
- Charter Requires six affirmative votes for debt in excess of 10% of assessed valuation (AV)
- Existing Policy and model plans required this authorization at time of issuance
- Amended Policy allows this to occur at time plan approval or amendment
  - With documentation and subject to the necessary vote
- Most or all other Colorado jurisdictions do not separately authorize debt

# Mill Levy Caps



- No change for non-residential districts
  - except that operating mill levy can be increased from 10 to 20 with justification
- Increases in maximum mill levy caps for residential districts
  - Debt mill levy cap increased from 30.0 “Gallagher adjusted” to 50.0 – with no retroactive adjustments
  - Operating cap increased from 10.0 mills “Gallagher adjusted” to 20.0 mills– with no retroactive adjustments

# Interest Rate Caps



- For Related Party Privately Placed Debt and Developer Advances
  - No more than 400 basis points (4%) above the Index Rate (AAA 30-Year MMD Municipal Market Data)
- No compounding of interest on developer advances and they must be converted to formal debt within 20 years

# Multiple District Structures



- Combinations of more than one metropolitan district and sometimes a BID
- Created for project phasing and to control and administer financing decisions
  - Coordinated via intergovernmental agreements (IGAs)
  - One district ordinarily serves as the “operating district”
  - Districts may share an overall maximum debt limit and may issue debt with related district pledges
  - Boundaries may initially be small and/or overlapping

# Multiple District Policies



- Initial small and/or overlapping district boundaries okay
- Permanent small operating districts discouraged
- Board transition plans encouraged for operating districts

# Web Sites and Annual Reports



- Focus on web sites that are now required by State for most metropolitan districts
- City Policy extends web site requirement to BIDs and adds some required content
- Policy updated to reflect new State requirement for metropolitan district annual reports
  - They had been optional at the discretion of local governments

# Amended Policy Applicability



- Applies to all new and existing BIDs as of October 2022
  - Annual approval of 2023 Operating Plans and Budgets
- Applies to new and amended metropolitan district service plans only
  - Full amended and restated service plan required to obtain new Policy “benefits”
- Submittals in process may use prior Policy and model plans

# Model Service Plans



- Service plan is the governing document for metropolitan districts
- Essentially a standard form contract
- Petitioners “fill in the blanks” and review is focused on any exceptions from the model
- Information necessary to support district creation
- Limits or parameters important to City Council
- Single and multiple district versions
- Updates reflect the new policy
- No longer includes a disclosure exhibit
- City gets “one bite at the apple” unless there is a “material modification” requiring an amendment



# Model BID Operating Plan and Budget



- Initial approval at time of BID creation by City ordinance
- Annual approvals thereafter
- Same overall purpose and function as metropolitan district service plans

# Recommendation and Next Steps



- Approval recommended
- July 12, 2022 New Business
- Staff and industry preference for adoption in time for late 2022 district creation and annual approval cycles