



D E E P W A T E R P O I N T C O M P A N Y

18 June 2020

Via Email: allCouncil@springsgov.com
Carl.Schueler@coloradosprings.gov

Members of the Council Budget Committee

Mr. Carl Schueler, Planning

City Hall, 107 N. Nevada Ave.

Colorado Springs, CO

RE: Objection to Council Action for the Issuance of New Indebtedness
Interquest North Business Improvement District

Dear Members of the Budget Committee,

Thank you to Mr. Schueler for honoring our request to inform us on the submittal of a new bond request by the Interquest North Business Improvement District (“INBID”) to the Budget Committee for Tues 23 June at 8:15am.

Several businesses within this District are concerned that the District’s failure to disclose critical financial information to its own taxpayers will result in a compromised due process for the Council’s review. Currently, we are in the midst of a CORA lawsuit directed specifically at important documents to allow the taxpaying businesses to better understand the financial decisions of this developer-controlled board. The El Paso County District Court has granted the motion to show cause and a hearing is set for July 30.

Remove INBID Item from Agenda

We would urge the Council to either remove the INBID item from its Budget Committee agenda or at least not take any action on it. Should the INBID item remain on the Tuesday agenda, please permit me to present some information on this item and take questions from the Committee.

It was a year ago in June that INBID withdrew its request to exclude the Scheels property from our District because most businesses were unaware of this action and those who were, objected to it. Since then, information regarding this taxpayer subsidy to Scheels has been excruciatingly difficult to uncover – hence the CORA lawsuit filed on May 1, nearly nine months later.

\$13.7M Bond Request

Mr. Schueler forwarded me the packet of information that the District’s counsel submitted to him for the Budget Committee. This includes financial information related to a \$13.735M new bond issue for this district. It would more than double the District’s bond issuance from \$11.265M to \$25M with debt service payments doubling from \$947,000 to \$1,957,000!

Trouble with Disclosure

Unfortunately, this updated packet did not get sent directly to me from the District. These documents were reviewed and approved by the District Board on 27 May, but I had to specifically request them after the meeting. I received them one week later on 3 June. However, the new package sent to Mr. Schueler had increased the bond interest rate from 6% when the Board approved it to 7% just two weeks later.

Issues like this keep the tension elevated between the taxpayers and their Board members. This 1% change will increase the bond interest that the businesses will pay by \$3.3M over the bond term – that’s an extra \$3.3M from taxpayers directly into the bond investor’s pocket. And the Board still has not disclosed who this initial bond investor will be, but the last two bond issues were purchased by Board member, developer, and landlord, David Jenkins.

Taxation Without Representation

This is why the businesses are upset and want to pause any new financial commitments until more facts are disclosed: they do not trust that their Board members are making decisions in the best financial interests of the taxpayers, but have major conflicts of interest and saddle taxpayers with burdens that enrich the developer.

CORA Lawsuit

What a shame it is to have to submit numerous CORA requests to the entity that receives three different sources of obligatory taxes and fees – real and personal property tax from businesses and a 1.25% PIF from customers. Worse yet, is that the lack of disclosure by the Board is so persistent on critical documents, that the courts have to be summoned to force statutory compliance.

- Did you notice in your bond packets subtly missing was the detailing of the \$13.735M of costs incurred for this bond request?
- Did you notice that \$4.4M of District cash has been transferred out of its assets to the developer AND an additional \$13.735M more is being requested? What is all this public money being spent on for a development so built-out?
- Did you notice that between 2019 and 2020, the developer will have advanced *at 8% interest* over \$4.6M to the District – even though the District doesn’t build anything but hires the same developer to do it?
- Was there any mention in the “fairness” certification by RBC Capital that the revised interest rate of 7.0% for the double tax-exempt bonds was 366% higher than current 30yr Treasury bonds at 1.5%? (The previous issues of District bonds were 112% higher in 2010 and 136% higher in 2016.). Who represents the taxpayers to negotiate these premiums?
- Did you notice that the Scheels building and parking lot revenue were missing from the tax base calculations even though Council has not excluded their building?

- Was there any request to (again) exclude the \$4.5M Scheels building from the new District, or was that to be obscured from the Council members until after the bonds were approved?
- Did anything in your packet mention that the developer sold the Scheels parking lots and loading areas to the District it controls for \$1 so that those 11 acres of commercially used land would be tax-exempt – for the City and County as well as the District?
- Was there any mention that the District agreed to build nearly \$4M of parking lots for Scheels and give them special rights to use this “public” property?
- Was there any information disclosing how much the private developer is leasing his land to Scheels after the District (at taxpayer expense) graded and installed the Scheels’ parking lots?

The District Board continues to deny or delay disclosure of how it is spending public funds, yet it is assertively pressing the City Council to approve the doubling of its bond issuance.

We ask that you pause your review and approval process until we can uncover and audit the information we have requested and present it to you for your consideration.

Sincerely,



Timothy J. Leonard
President

Cc:

Chris Wheeler, Budget Director
Rick Stucy, Burger King
Mark Rogers, Cheddars
Jay Markham, Great Wolf Lodge
Craig Johnson, Great Wolf Lodge