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Title: Approval of the Proposed 2021 Operating Plan and Budget for the Interquest North Business Improvement District

Presenter:
Carl Schueler, Comprehensive Planning Manager

Sponsors:

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Date	Ver.	Action By	Action	Result
10/27/2020	2	City Council	approved	Pass
10/12/2020	1	City Council Work Session	referred	

Approval of the Proposed 2021 Operating Plan and Budget for the Interquest North Business Improvement District

Presenter:
Carl Schueler, Comprehensive Planning Manager

Summary:

The Interquest North Business Improvement District (BID) is a legal entity separate from the City of Colorado Springs. However, as required by State statute, it is necessary for City Council to review and approve the proposed 2021 Operating Plan and Budget for the BID.

The Operating Plan and Budget for this BID anticipates continuing development and public improvement activity within this BID, along with corresponding additional draws on this BID’s recent bond issuance.

This BID provided a revised version of their 2021 Operating Plan to clarify/update the following; paragraph 1.E, the District has entered into a maintenance agreement with Nor’Wood Limited, Inc. for operations and maintenance of public improvements; reconciliation of paragraphs 3 and 8.C which indicates plans for inclusion or exclusion of property; and paragraph 6.E which provides additional language surrounding the 2020 bonds including the drawn down plan, their planned use, the interest rate for the issued bonds, the bond redemption date, and confirmation that the District will annually review the interest rate on the bonds. A red-lined excerpt from the Operating Plan is included as an attachment to this item which documents the changes made, specific to the bond refunding language.

Background:

The BID boundaries were established pursuant to an election in 2004, with an additional property inclusion approved by City Council in 2007. In 2016 City Council approved the exclusion of 1.2 acres and in 2017 an additional 13.151 acres was approved for exclusion, both of which were being developed for residential purposes and was no longer statutorily eligible to remain in the District. The District's elected board is comprised of individuals associated with Nor'wood Development Group. The board currently has one vacancy which the District has noted may be filled with an appointment in 2021. The District anticipates continued public improvement construction and the provision of operations and maintenance services in 2021, including, but not limited to, parking and street maintenance and operations, including snow removal, landscaping, stormwater, marketing, common area maintenance, and security services as needed.

The 2021 Operating Plan indicates that the District does not anticipate boundary changes for 2021, however, they may receive inclusion or exclusion requests in the future as circumstances arise. The BID's Operating Plan and Budget project adequate revenues to service the BID's obligations and maintain positive fund balances.

This BID owns and operates a large parking lot, and may own and maintain stormwater facilities. Their budget includes substantial expenditures for maintaining District-owned and other common areas and properties.

Other major changes or new activities in the coming year include installation of additional infrastructure, and reimbursement of additional developer advances or other certified costs related to recent and ongoing public improvements. These reimbursements would be made as drawdowns from remaining available bond proceeds.

This Operating Plan and Budget is provided in a format consistent with the standard template approved by Council in August 2014 for these documents.

Previous Council Action:

City Council approved formation of this BID in 2004 (Ordinance No. 04-237), along with its 2010 and 2016 bond issuances (Resolution No. 185-10 and Resolution 54-16), and has approved the BID's Budget and Operating Plan annually since its formation. City Council approved a property inclusion in 2007 and an exclusion of property in 2016. An additional 13.151 acres of property were excluded by Council Ordinance No. 17-27 on March 14, 2017. In October 2018 City Council approved an increase to the District's authorized indebtedness from \$13 million to \$25 million. In February 2019 Council approved a resolution approving the credit public improvement fee (PIF) agreement between the City, Scheels All Sports, Inc., and the BID. The PIF agreement (Resolution No. 32-19) will allow Scheels to collect a PIF of 1%, which is offset by a temporary 1% reduction of the 2% general municipal sales tax for a period of 25 years, this will result in total fees and taxes equal to what customers would have paid in absence of the PIF. In May 2019 a petition was presented to Council to exclude certain properties from the BID, this request was subsequently withdrawn in June 2019. In August 2020 City Council approved issuance of \$13,735,000 in Limited General Obligation Bonds (Resolution No. 68-20).

This item was introduced in a City Council Work Session on October 12, 2020. Council had no comments or questions that were uniquely pertinent to this Operating Plan and Budget. However, this is one of the BIDs that has outstanding debt with an interest rate greater than 7.0%, and for

which Council requested additional language pertaining to call dates and consideration of refinancing.

Financial Implications:

The District issued \$6,500,000 in Limited Tax General Obligation Bonds, Series 2010 for public improvements, with an interest rate of 8.5%, and subject to redemption at the District's option. In 2016, this BID issued an additional \$4,765,000 in Limited Tax General Obligation Bonds with an interest rate of 6.5%. In 2020 the District issued \$13,735,000 in Limited Tax General Obligations Drawdown Bonds with an interest rate of 7.0%. The 2020 bonds are subject to mandatory redemption starting on December 1, 2024 and are subject to optional redemption beginning January 1, 2027. The initial draw in 2020 is expected to be \$1,535,000 and the 2021 budget estimates another draw of \$5,500,000, the District intends to use the funds to acquire existing public improvements and fund remaining public improvements within the District. As described in the 2021 Operating Plan, the District will annually review the interest rates on its bonds regarding market interest rate and evaluate possibilities to refund such bonds to the extent allowed, pursuant to the bond documents.

The proposed total mill levy for the BID in 2021 is 51.000 mills (1.000 mill for operating expenses and 50.000 mills for debt service) which represents no change from 2020. The District anticipates receiving \$1,497,495 in Public Improvement Fees (PIF) during 2021. The amount of this PIF is 1.25% on all retail purchases. These fees are pledged revenue to be used toward the repayment of the Series 2010 Bonds.

The District currently has an outstanding developer advance balance of \$1,480,850, which accrues interest at a rate of 7%. As of December 31, 2019 the accrued interest on the developer advance balance was \$13,350. The 2021 budget includes \$5,500,000 in developer advances to fund capital projects which is budgeted to be repaid with the corresponding draw of \$5,500,000 from the 2020 bond issuance.

As a separate legal entity, the financial activities of the BID are separate from those of the City, and its indebtedness is an obligation of the property in the BID and not the City.

City Council Appointed Board/Commission/Committee Recommendation:

The BID Board of Directors recommends City Council's approval of the 2021 Operating Plan and Budget.

Stakeholder Process:

N/A

Alternatives:

N/A

Proposed Motion:

Move to approve the proposed 2021 Operating Plan and Budget for the Interquest North Business Improvement District.

N/A