



## Legislation Details (With Text)

**File #:** 20-651      **Version:** 1      **Name:** Peak Metro Dist No. 1  
**Type:** Resolution      **Status:** Mayor's Office  
**File created:** 11/16/2020      **In control:** City Council  
**On agenda:** 1/12/2021      **Final action:** 1/12/2021  
**Title:** Resolution Authorizing Peak Metropolitan District No. 1 to Issue Debt in the form of Series 2021A and Series 2021B Limited Tax General Obligation Bonds

**Presenter:**  
Carl Schueler, Comprehensive Planning Manager, Planning and Community Development  
Peter Wysocki, Director, Planning and Community Development

**Sponsors:**

**Indexes:** Metropolitan District

**Code sections:**

**Attachments:** 1. Revised Resolution- Peak Metro, 2. Resolution\_PeakMetroDistNo.pdf, 3. 1. 1-28-2- Letter to Council, 4. 1.a Peak Presentation PowerPoint 1-6-21, 5. 2. Bond Issuance Submittal December 2020, 6. 3. Term Sheet Peak MD1 (as of 12.28.20), 7. 4. C2 Peak MD Financial Plan for Dec 28 Submittal, 8. 5. Peak MD 1 Draft Senior Indenture 12-28-20, 9. 6. Peak MD No 1 Draft Sub. Indenture 12-28-20, 10. 7. Peak MD No 1 Draft Bond Resolution 12-28-20, 11. 8. Peak Dist Projects- 12-28-20, 12. 9. Peak Projects CY2020-Infrastructure map, 13. 10- Peak Innovation Park infra. dev. areas 1-10, 14. 11. COS SIB Request - CDOT 2020 White Paper, 15. Airport PPT Budget Committee 11.17.pdf, 16. Resolution 05-21

Date	Ver.	Action By	Action	Result
1/12/2021	1	City Council	adopted	Pass
12/7/2020	1	City Council Work Session	referred	

Resolution Authorizing Peak Metropolitan District No. 1 to Issue Debt in the form of Series 2021A and Series 2021B Limited Tax General Obligation Bonds

**Presenter:**

Carl Schueler, Comprehensive Planning Manager, Planning and Community Development  
Peter Wysocki, Director, Planning and Community Development

**Summary:**

The attached resolution will approve the issuance by the Peak Metropolitan District No. 1 (“the District”) of bonds in an aggregate principal amount of approximately \$39,813,000 along with the related bond documents. The District is proposing to issue this debt in the form of \$35,045,000 of Limited Tax General Obligation Bonds, Series 2021A, and approximately \$4,768,000 of Subordinate Limited Tax General Obligation Bonds, Series 2021B. The proceeds of the bonds may be used to reimburse the costs of previously installed public improvements (depending on the dispensation of approval of the application for the SIB loan), with the balance of be project fund being used for additional identified infrastructure. This District is one of three related metropolitan districts (Peak Metropolitan District Nos. 1-3) created for the purpose of financing infrastructure and providing services for the Peak Innovation Park which is the business park associated with the Colorado Springs Airport.

These bonds will be marketed and have estimated annual interest rates of 5.0%, and 7.75% for the A and B bonds, respectively. The debt service mill levies and specific ownership taxes for District No. 1 will be pledged toward this debt. The infrastructure being financed is specific to District No. 1, such that the revenues of District No. 2 and 3 will not be pledged.

The City's Special District Policy requires that City Council approval be obtained prior to issuing of any formal debt for metropolitan districts. These bond issues are contemplated by the District's Council-approved service plan. Copies of the bond documents and associated supporting materials are attached.

This item has been discussed at a City Council Budget Committee meeting on November 24, 2020, with follow-up questions addressed at a special meeting on January 6, 2021. Follow-up from this January 6<sup>th</sup> meeting will be provided to Council as necessary.

This item was introduced at a Council work session on December 7, 2020 Work Session, at which time updated Series A and B bond amounts were presented, compared with those presented at the Budget Committee in November. These updated new numbers responded to changes in the bond market, updated calculations of assessed valuation and lower anticipated interest rates. At this Work Session it was agreed to convene a special Budget Committee (1/6/21) in order to further discuss the updated numbers, along with the continued need for the Series B bonds.

**Approval of this debt issuance will require a 2/3rds majority of the entire City Council (at least six affirmative votes) pursuant to City Charter Article 7-100**

**Background:**

Metropolitan districts are created under Colorado Statute and City Policy to finance and/or maintain certain public improvements in commercial and residential areas primarily utilizing a property tax mill levy as the revenue source. These districts are separate legal entities from the City, with independently elected boards.

In this multiple district structure, as approved in the 2018 service plan, District No. 1 had originally been contemplated to be the operating district and director's parcel, with District Nos. 2 and 3 functioning as non-residential financing districts. This structure has been modified such that District No. 2 will now be used as an overlay district covering most of the business park, to provide consistent administration and property maintenance services across the entire project. District No. 3 is being held for financing of future project phases. The Districts' geography was initially structured to occupy very small initial inclusion parcels, thereby allowing adaptability for future inclusions consistent with phasing of development and public improvements within the business park. The boundaries of District No. 2 have now been expanded, and the Districts intend to expand the boundaries of District No. 1 prior to issuance. Certain developed or developing properties (including the large Amazon distribution center parcel), will not be included within District No. 1 based on prior agreements for infrastructure installation.

As "commercial districts", District Nos. 1-3 have been authorized by the service plan and City Policy to levy up to 60.0 total mills (Gallagher Adjusted) in property tax (50.0 for debt service and 10.0 for operations and maintenance). However, District No. 1 is pledging a maximum of 30.0 debt service mills to this debt. Also pledged will be PILOT (payment in lieu of taxes) revenues from tax-exempt properties within District No. 1.

At this time, the anticipated mill levies to be certified for collection in 2021 are as follows:

District No. 1	30.0 mills
District No. 2	10.0 mills
District No. 3	0 mills

Both the A and B bonds are expected to be unrated, with the B bonds being subordinate to the A bonds and being structured as “cash flow bonds” These bonds are structured to have 30 year terms, although these could potentially extend if bond repayment revenues were not sufficient.

Following a period of limited activity development in the Peak Innovation Park area has been extremely active during the past few years. This activity has included but has not been limited to an almost 4 million square foot Amazon distribution facility that is nearing completion. As presented to the City Council Budget Committee (and summarized in an attached presentation, approximately 200 acres within Peak Innovation Park are either currently developed, under construction, or with development plans actively in negotiation.

The public improvements costs to be financed by these bonds consist of a portion of the about \$31 Million in eligible or potentially eligible costs as generally depicted in graphics included in an attached PowerPoint presentation. The combined par amount of the A and B bonds is anticipated to exceed this amount. However, as described in the attached term sheets, the available net proceeds for the project fund will be reduced to account for costs of issuance, capitalized interest, and a reserve fund.

The consolidated service plan includes a \$200,000,000 limit on total “new money” principal debt allowable for these Districts as an aggregate amount.

These Series 2021 bonds will be structured to be first “callable” in three years subject to a declining premium.

The City Council Budget Committee considered this item at their November 24, 2020 meeting. Airport staff provided an update on ongoing and expected development in the Airport Business Park. The petitioners then presented and update on the metropolitan district followed by a summary of the requested bond issuances. Following these presentations and Committee discussion, the Committee recommended moving forward with this bond issuance as well as the associated request for a CDOT SIB (State Infrastructure Bank) loan. However, one Committee member raised concerns about the need and justification for the propose B bonds. Questions were also asked about the difference between the par amount of the bonds and the useable proceeds for the project fund.

Included as attachments to this agenda are the following documents:

- Draft Council resolution
- Transmittal letter from District
- Follow-up response letter to Council
- Term sheets
- Draft indentures
- Graphics provided by the District (within the PowerPoint) depicting boundaries, cost

allocations and maintenance responsibilities

- Updated applicant PowerPoint presentation.
- Financial projections - with overall summary of costs to be financed
- Draft opinion from District's bond counsel

**Previous Council Action:**

City-approved development and zoning approvals have been in place for these properties for several years, and these are periodically refined and modified. On August 28, 2018 City Council approved a consolidated service plan ("Original Service Plan") for the Districts (Resolution 95-18). On February 12, 2019 Council approved an amendment of this service plan to authorize covenant enforcement by these Districts (Resolution 22-19).

**Financial Implications:**

Pursuant to the District service plan, the City Special District Policy, and the bond documents themselves, the issuance of these bonds does not constitute a financial obligation of the City. The bond documents contain the limitations required by the City's Special District Policy. A draft opinion has been provided by the bond counsel for this metropolitan district, that the bond documents are consistent with the approved service plan and with the City Special District Policy.

Present and future property owners within the District will not be burdened with debt service mill levies of the District higher than the cap of 30.0 mills being pledged to this debt by the bond documents. The Service Plan contains a "Gallagher adjusted" maximum debt service levy of 50 mills for District Nos. 1 to 3.

The draft City Council resolution authorizing this debt issuance contains language allowing for a not-to-exceed contingency amount of up to approximately 10% greater than the currently anticipated combined amount of about \$39.8 Million (\$43.8 Million).

**City Council Appointed Board/Commission/Committee Recommendation:**

N/A

**Stakeholder Process:**

The staff-level Special District Committee has been provided with the materials associated with this request. As of the date of this staff report no comments have been received.

**Alternatives:**

City Council could choose to approve, not approve or modify the proposed resolution.

**Proposed Motion:**

Move to adopt a resolution authorizing Peak Metropolitan District No. 1 to Issue debt in the form of Series 2021A and Series 2020B Limited Tax General Obligation Bonds

N/A