



## Legislation Details (With Text)

**File #:** 22-790      **Version:** 1      **Name:** Chapel Heights MD  
**Type:** Resolution      **Status:** Mayor's Office  
**File created:** 12/5/2022      **In control:** City Council  
**On agenda:** 1/24/2023      **Final action:** 1/24/2023

**Title:** A resolution of the City Council of the City of Colorado Springs, Colorado approving the issuance of a Chapel Heights Metropolitan District Limited Tax General Obligation Advancing improvement Loan in an amount not to exceed \$6,500,000 and related loan documents for a district located northeast of Fountain Boulevard and Academy Boulevard.

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

**Sponsors:**

**Indexes:** Issuance of Debt, Metropolitan District

**Code sections:**

**Attachments:** 1. Resolution, 2. Draft Loan Agreement-Chapel Heights MD, 3. Staff PowerPoint, 4. DRAFT General Counsel Opinion - Chapel Heights MD, 5. DRAFT Bond Counsel Opinion - Chapel Heights MD, 6. DRAFT Authorizing Resolution - Chapel Heights MD, 7. Chapel Heights Cost Estimate 6.11.19, 8. Bond Issuance Cover Letter - Chapel Heights MD, 9. 2022-11-22 Chapel Heights MD - Financing Model

Date	Ver.	Action By	Action	Result
1/24/2023	1	City Council	adopted	Pass
1/9/2023	1	Council Work Session	referred	

A resolution of the City Council of the City of Colorado Springs, Colorado approving the issuance of a Chapel Heights Metropolitan District Limited Tax General Obligation Advancing improvement Loan in an amount not to exceed \$6,500,000 and related loan documents for a district located northeast of Fountain Boulevard and Academy Boulevard.

**Presenter:**

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 Peter Wysocki, Planning and Community Development Director

**Summary:**

This is a request to approve issuance of formal debt in an approximate aggregate amount of \$5,000,000 and not to exceed \$6,500,000 in the form of a Limited Tax General Obligation Advancing improvement Loan, Series 2023 to be repaid from a combination of property tax and associated revenues. The City's Special District Policy and this District's service plan require that City Council's approval be obtained prior to issuing any debt by this District.

This will be the first issuance of debt by this district. The net proceeds from this issuance will be primarily used to reimburse developer advances and also to fund anticipated public improvements costs as described in the submitted materials.

The loan is anticipated to be tax-exempt, is based on bids solicited from commercial banks unrelated to the District, and which are expected to carry an interest rate of about 5.00%. (exact rate to be set prior to closing).

Approval of this debt issuance will require a two-thirds majority of the entire City Council (at least six affirmative votes) due to the requested authorization exceeding 10% of the existing valuation of the property as required by City Charter Article 7-100.

This agenda item was presented at the December 13, 2022, City Council Budget Committee meeting and then introduced at a Council Work Session on January 9, 2023 (see discussion below).

This property is located in Council District No. 4.

**Background:**

The Chapel Heights Metropolitan District (“District”) was originally created in 2020 and provides financing and a source of reimbursement for qualifying public improvements within this approximately 42-acre development. Development within District is now largely completed.

The loan has an estimated term/amortization schedule of about 20 years although the loan repayment period could extend if revenues lagged for a significant period. This District first certified a debt service mill levy in 2021 for collection in 2022. Because residential metropolitan districts have a maximum 40-year debt service mill levy imposition term, there is a required discharge date built into the loan documents and the Council resolution.

The anticipated par amount of the bonds is \$5,000,000. The District’s draft bond resolution includes a “not-to-exceed” cap of \$6,500,000. This limit is also incorporated within the City Council resolution.

The debt service mill levy available to service these bonds is limited to a “Gallagher adjusted” 30 mills (currently 33.398 mills).

This will be the first and potentially only issuance of debt by this District. The District is anticipating that this would be the only debt issuance by the District for the purpose of reimbursing project development costs. However, a future board could chose to issue additional debt (subject to Council authorization), because the service plan includes a maximum debt authorization of \$20,000,000.

This loan will be structured to be “callable”, such that a future potentially resident board might be in a position to refinance these obligations subject to future financial conditions. The prepayment date is December 1, 2027.

Financial projections are attached.

The subject request was presented to the City Council Budget Committee at their December 13, 2022, meeting during which time both staff and applicant PowerPoint presentations and responses were provided. In particular, District representatives explained the larger than typical difference between the modeled loan amount and the not-to-exceed amount, as being related to the particularly volatile interest rate environment. If interest rates were to decline significantly, a higher amount could be issued with the same repayment amount.

This item was introduced at a Council Work Session on January 9, 2023, at which time there were no

substantive comments or requests for additional information.

Included as attachments are the following documents:

- City Council resolution
- Financial plan and projections
- Applicant Budget Committee presentation
- Cost estimates
- Draft bond resolution
- Draft General counsel opinion letter
- Draft Bond counsel opinion letter

**Financial Implications:**

Pursuant to the District’s Service Plan, the City Special District Policy, and the loan documents, the issuance of this debt does not constitute a financial obligation of the City. The documents will contain the “limited default” provisions required by the City’s Special District Policy. This loan will be held by a third-party commercial lending institution.

The bond loan is structured so that any risk beyond the maximum capped mill levy and the associated specific ownership tax, will not accrue to the property owners.

City Charter Article 7-100 requires that the total debt of any proposed district shall not exceed ten percent (10%) of the total assessed valuation of the taxable property within the District unless approved by at least a two-thirds vote of the entire Council.

**Board/Commission 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, there have been no comments or questions from the Committee on this request.

**Previous Council Action:**

City Council approved a service plan for the Chapel Heights Metropolitan District (Resolution 02-20), on January 14, 2020.

**Alternatives:**

City Council could choose to approve, deny, or modify the proposed resolution.

**Proposed Motion:**

Move adoption of the resolution approving the issuance of the Chapel Heights Metropolitan District Limited Tax General Obligation Advancing improvement Loan in an amount not to exceed \$6,500,000 and related loan documents for a district located northeast of Fountain Boulevard and Academy Boulevard.

N/A