



## Legislation Details (With Text)

**File #:** 23-163      **Version:** 1      **Name:** Lowell MD  
**Type:** Resolution      **Status:** Mayor's Office  
**File created:** 3/3/2023      **In control:** City Council  
**On agenda:** 4/11/2023      **Final action:** 4/11/2023

**Title:** A resolution of the City Council of the City of Colorado Springs, Colorado approving the issuance of Lowell Metropolitan District Limited General Obligation Refunding Term Loan and Limited Tax General Obligation Refunding Bonds in an aggregate amount not to exceed \$7,120,000 and related bond documents for a district located in the southeastern area of downtown Colorado Springs.

**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. Lowell MD Refinancing-Staff PP, 3. Transmittal Letter, 2023-03-15, 4. Transaction Summary to City - Lowell MD as of 2.13.23, 5. NBH Bank Lowell MD Term Sheet 12.14.22, 6. Senior Indenture - Lowell MD (2022) (Jan 31 2023 v3), 7. Subordinate Indenture - Lowell MD (Jan 31 ), 8. PLOM (01.3.23) v2, 9. Signed Resolution No. 63-23.pdf

Date	Ver.	Action By	Action	Result
4/11/2023	1	City Council	adopted	Pass
4/10/2023	1	Council Work Session	referred	

**Title**

A resolution of the City Council of the City of Colorado Springs, Colorado approving the issuance of Lowell Metropolitan District Limited General Obligation Refunding Term Loan and Limited Tax General Obligation Refunding Bonds in an aggregate amount not to exceed \$7,120,000 and related bond documents for a district located in the southeastern area of downtown Colorado Springs.

**Presenter:**

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

**Summary:**

This is a request to approve issuance by the Lowell Metropolitan District (“District”) of formal debt in an approximate aggregate amount of \$6,471,000 and not to exceed \$7,120,000 in the form of a senior refunding loan and subordinate refunding bonds, series 2023. This debt would 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 proposed debt structure represents a “renegotiation” of the original 2004 bonds issued by this District. As further described in the submittal materials and presentation, payments on the originally issued debt are sufficiently in arrears that this debt is not projected to pay off. The revised structure

would provide the bondholders with a return on their original investment, while also writing off some of the existing debt, and establishing a fixed discharge date for the remaining debt. The board of this District, which is comprised entirely of resident property owners or tax-obligated business owners, is in support of this proposed refinancing.

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 March 28, 2023, City Council Budget Committee meeting (see discussion below).

This property is located in Council District No. 3.

**Background:**

The Lowell Metropolitan District (“District”) was originally created in September of 2000 and provides financing and a source of reimbursement for qualifying public improvements within this development. In 1988, this project was included in an urban renewal area. However, that designation expired in 2013.

Development within the District has been delayed at various stages during the approximately 3-decade life of this project but is now largely completed with the exception of a few additional planned or developing apartment buildings. Some of the properties in this District area are also tax-exempt, including 120 senior living apartment units.

The existing 2004 bonds were issued in a principal amount of \$9,300,000 at an interest rate of 7.25%. Currently, there is about \$7,940,000 in principal outstanding, along with about \$3,270,978 in unpaid interest. Between the senior bank loan and the subordinate bonds, there is expected to be about \$5,890,000 in usable proceeds that would go to the original bond holder. The balance of the debt (about \$5,282,541) would be forgiven.

The principal amount of the bank loan is estimated to be \$3,665,000 with the bond amount being \$2,806,000. However, the intent will be to maximize the proportion the bank will be willing to loan. Both the loan and bonds are anticipated to be tax-exempt, and will be marketed to or acquired by, unrelated parties. The estimated interest rates will be 4.5% for the loan and 8.5% for the bonds. The terms of both the loan and the bonds are structured to be 30 years.

The debt service mill levy available to service these bonds is limited to a “Gallagher adjusted” 40 mills (currently 49.490 mills). This cap is unique based on the age of this service plan. It should also be noted that that unlike all residential metropolitan districts authorized by the City since 2006, this District does not have a 40-year maximum debt service mill levy imposition term. Therefore, this existing debt (and corresponding required debt service mill levy) could extend perpetually. This refinancing debt would have a 40-year limit (12/1/2063) after which the debt would need to be discharged even if principal or interest remained at that time. Effectively, there will have been up to a 60-year debt service mill levy imposition term, in this unique circumstance.

This loan and bonds will be structured to be “callable”, so that the obligations could be refinanced if future financial conditions are favorable. The prepayment date is December 1, 2027.

Loan and bond structure summaries are attached.

The subject request was presented to the City Council Budget Committee at its March 28, 2023, meeting. Concerns were raised as to why a refinancing had not been proposed sooner. The response was that there had been earlier attempts to work out the existing debt but this sole bondholder was not ready. Refinancing has been impractical without lender concessions because of the amount of debt that is outstanding.

Included as attachments are the following documents:

- City Council resolution
- Bond structure and loan summaries
- Transmittal letter with draft general counsel opinion letter attached
- Draft senior and subordinate indentures
- Draft PLOM (Public Offering Memorandum)

### **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, and the bonds will be marketed.

The bonds and loan are 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:**

The City originally approved an urban renewal plan for the Lowell area in 1988, but this designation has expired. City Council approved a service plan for the Lowell Metropolitan District (Resolution 136-20) on September 12, 2000.

### **Alternatives:**

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

### **Proposed Motion:**

Move adoption of the resolution approving the issuance of Lowell Metropolitan District Limited

General Obligation Refunding Term Loan and Limited Tax General Obligation Refunding Bonds in an aggregate amount not to exceed \$7,120,000 and related bond documents for a district located in the southeastern area of downtown Colorado Springs.

N/A