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Title: Approval of the Proposed 2021 Operating Plan and Budget for the First and Main Business Improvement District No. 2

Presenter:
Carl Schueler, Comprehensive Planning Manager

Sponsors:

Indexes:

Code sections:

Attachments: 1. 2021 Operating Plan - First _ Main BID No. 2(4285048.1) Revised 10.16.20, 2. First and Main BID No. 2 - redline 10.16.20

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

Approval of the Proposed 2021 Operating Plan and Budget for the First and Main Business Improvement District No. 2

Presenter:
Carl Schueler, Comprehensive Planning Manager

Summary:
The First and Main Business Improvement District (BID) No. 2 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 no changes from the prior year and no activities in 2021 other than continuing to service outstanding bonds. Staff does note that this BID has accumulated substantial developer advances which are accruing interest.

This BID provided a revised version of their 2021 Operating Plan to update and/or clarify the following; paragraph 5, the developer performs the administrative operations on behalf of the District at this time; paragraph 6.5, additional language added to include the interest rate for the issued bonds, the bond redemption dates, and confirmation that the District will annually review the interest rate on the bonds; and paragraph 6.7, the interest rate and total accrued interest on the developer advance balance. 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 boundaries of this development-specific BID were established pursuant to an election in 2008 and were modified in 2018. This 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 is authorized to provide the acquisition of improvements, construction of improvements, operation and maintenance of parking facilities, roadways, lighting, driveways, public utilities, and landscaping.

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

Previous Council Action:

City Council approved creation of this BID in 2008 from within the original boundaries of the First and Main Business Improvement District (Ordinance No. 08-144) and has approved the BID Operating Plan and Budget annually since its formation. Council also approved issuance of the BID's 2009 and 2010 bonds (see below), as well as a minor property inclusion in 2012. In 2014, Council approved an ordinance authorizing this BID to convert from a Council-appointed to an elected board of directors. (This conversion was subsequently formalized via a May 2014 election.) In April 2015, Council authorized this BID to issue an additional \$3,475,000 in privately placed bonds to be used to reimburse the developers of this project for completed public improvements costs, using a combination of property tax and public improvement fee (PIF) revenues. In April 2018 Council approved the inclusion of additional property (Ordinance No. 18-34).

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 \$2,400,000 in Limited Tax General Obligation Bonds, Series 2009 to pay for debt services and general operating expenses of the District. In 2010, the BID issued \$2,000,000 in Series 2011 Public Improvement Fee (PIF) Revenue Bonds. Both bonds carry an interest rate of 8.5% and are subject to optional redemption beginning December 1, 2012. The combined \$3,475,000 in Series 2015 PIF and Limited Tax General Obligation bonds carry an interest rate of 6.75%. 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 mill levy for the BID in 2021 is 51.000 mills (1.000 mill for general expenses and 50.000 mills for debt service). This mill levy is unchanged from 2020. This BID also levies a public improvement fee (PIF) of \$0.0075 on each \$1.00 of retail transactions (0.75%). For 2021, \$450,000 in PIF revenues are projected. All bonds issued by this District are held by the developer of this project.

In 2016 public improvements constructed by the Developer on behalf of the district valued at \$10,014,285 was recognized and recorded by the District along with accrued interest since 2010. The District has total outstanding developer advances of \$10,014,285, which accrues interest at a rate of 7%. As of December 31, 2019 the accrued interest on the developer advance balance was \$8,717,650. The 2021 Capital Projects Fund budget for this District includes a \$175,000 partial principal repayment to the developer for prior advances.

The budget for this BID projects adequate fund balances and revenues to meet these combined debt service obligations. Moreover, in the case of this BID, debt service fund balances continue to increase.

As a separate legal entity, the financial activities of the BID are separate from those of the City. Any financial obligations are specifically associated with the properties within the BID boundaries and do not constitute an obligation of 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 First and Main Business Improvement District No. 2.

N/A