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Title: Approval of the Proposed 2021 Operating Plan and Budget for the USAFA Visitors Center Business Improvement District, Subject to an Amended Operating Plan and Budget Being Approved Prior to Formal Debt Issuance

Presenter:
Carl Schueler, Comprehensive Planning Manager

Sponsors:

Indexes:

Code sections:

Attachments: 1. USAFA BID - 2021 Operating Plan - Revised II - Oct 8 2020 (4298034_1)

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 USAFA Visitors Center Business Improvement District, Subject to an Amended Operating Plan and Budget Being Approved Prior to Formal Debt Issuance

Presenter:
Carl Schueler, Comprehensive Planning Manager

Summary:
The USAFA Visitors Center 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 is adaptively written in order to address timing and other uncertainties associated with previously authorized, but as yet un-issued debt. Staff and BID representatives are recommending that an amended Operating Plan and Budget be presented to City Council for approval at such time as debt issuance plans and schedules become more finalized. Therefore, specific language to this effect, is included in the proposed Council motion.

This BID provided a revised version of their 2021 Operating Plan to update paragraph 6.B to include the amount of voter authorized debt, and the source of the City Council authorized debt.

Background:
The District was organized in 2018, a special election for the District, consisting of debt and related issues and questions was held on November 6, 2018. The boundaries of this development-specific

BID were established initially to include 1.705 acres in the Briargate area that are located within the boundaries of the City. The actual project site was subsequently annexed into the boundaries of the City in March 2019, and included in this BID, after which the original property was excluded. This BID has a 5-member elected board comprised of individuals associated with this redevelopment project. The board currently has one vacancy which the District has noted may be filled, with City approval, when a qualified candidate has been identified.

The District's primary purpose continues to be to provide for the financing, acquisition, construction, completion, installation, replacement and/or operation and maintenance of the services necessary to support the development of a 36.1-acre commercial mixed-use development located near the north entrance to the United States Air Force Academy. The Project is located on property owned by the United States Air Force (USAF) that will be developed through a long term lease arrangement with the USAF as part of the USAF's Enhanced Use Leasing Project.

The 2021 Operating Plan continues to permit the BID to enter into an advance and reimbursement agreement with the Developer for the purpose of facilitating the funding of the District's design, planning and development of infrastructure that will enable the Developer to offer the project to prospective tenants, and to enable the District to function operationally on its own. Staff notes that reimbursement agreements do represent financial obligations, but do not constitute formal debt. Therefore, in the event the project ended up not going forward, there effectively would be no obligation to the District or to any affected taxpayers.

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 creation of this BID in 2018 (Ordinance No. 18-77). In March 2019 Council approved the annexation of area known as USAFA Annexation Addition No. 1 and No. 2 consisting of 183.13 acres (Ordinance 19-16 and 19-17). Council approved an urban renewal plan for this project site on July 9, 2019 by Resolution No. 61-19. Council approved separate ordinances to include and exclude property into this BID in 2019 (Ordinance No. 19-70 and 19-71 respectively).

On October 22, 2019 City Council approved issuance of debt of up to \$80,000,000 (Resolution No. 103-19), the District does not anticipate issuing debt prior to the approval expiration date of October 22, 2020. As a result, the District has requested a one year extension to issue the bonds (to October 22, 2021). With the exception of this extension, the prior approval would remain in full force and effect including the requirement for this debt to be issued in a manner substantially consistent with the draft bond documents as previously reviewed by Council. That item was presented at the October 12, 2020 Work Session at which time Council requested a revision to the draft debt issuance extension resolution further limiting the deadline to no later than any State Economic Development Commission existing or subsequently extended deadline for Regional Tourism Act funding for this project.

This Operating Plan and Budget item was also introduced in a City Council Work Session on October 12, 2020. At this Work Session Council asked about the status of LART funding as included in the budget, and also had questions pertaining to the Council resolution being concurrently considered to extend the Council deadline for issuance of previously authorized debt.

Financial Implications:

The District does not have any existing debt, but is in the process of requesting a one year extension to City Council's approval that expires in October 2020. If the extension is approved the District may issue debt of up to \$80,000,000 without additional approval by Council as long as the debt is issued in a manner substantially consistent with the draft bond documents as previously reviewed by Council.

The attached budget includes a \$170,000 developer advance to fund items related to preparations for construction activities. The 2021 budget includes \$500,000 in 2020 LART funding which represents half of the \$1,000,000 the District was awarded in 2020, which is able to be utilized pending the issuance of debt. Staff notes that the current budget as presented assumes debt issuance prior to the end of 2020, therefore \$500,000 of the 2020 LART funding is estimated to be used in 2020 and the other \$500,000 is estimated to be used in 2021.

This Operating Plan anticipates that the District will impose a debt service mill levy of 50 mills and an operation and maintenance mill levy of 10 mills to support the District beginning in 2020 for collection in 2021. In addition, it is anticipated that the District may facilitate the imposition of public improvement fees (PIFs) on all taxable sales and lodging within the project to fund the District's debt service, operation and maintenance obligations, and to perform the obligations under the Enhanced Use Lease (EUL) that are assumed by the District. Based on the 2019 Council authorization for this District to issue debt, the amount of this PIF is expected to be 3.0% for retail sales and services and 2.0% for lodging.

This BID has applied for a federal CARES Act grant which would potentially take the form of a short term low interest "bridge loan". This would allow for much more efficient financing during the first few years during which tax, TIF and related revenues would be limited. If successful with this endeavor, the BID would need to refresh the Council approvals of its both is Operating Plan and Budget and its authorization to issue debt.

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 USAFA Visitors Center Business Improvement District, subject to an Amended Operating Plan and Budget being approved prior to formal debt issuance

N/A