



Legislation Details (With Text)

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Title: Resolution Authorizing Colorado Crossing Metropolitan District No. 2 to Issue Debt in the form of Series 2020A-1, Series 2020A-2 and Series 2020B-2 Limited Tax General Obligation Bonds

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

Sponsors:

Indexes: Issuance of Debt, Metropolitan District

Code sections:

Attachments: 1. Resolution, 2. 1A- Applicant Presentation for 11-10-20, 3. 1- Letter to City of Colorado Springs re Bond Issuance Submittal, 4. 2- Term Sheet - Colorado Crossing) (as of 9.30.2020), 5. 3- 2020 Bonds Anticipated Use Exhibit, 6. 4- A-1 Base Case (9.30.2020), 7. 5- A-2, B-2 Model (9.30.2020), 8. 6- CO Crossing MD Indenture (A-1), 9. 7- CO Crossing MD Indenture (A-2), 10. 8-CO Crossing MD No. 2 Pledge Agreement (A1), 11. 9- CO Crossing MD Indenture (B-2), 12. 10- CO Crossing MD No. 2 Pledge Agreement (A1), 13. 11- CO Crossing MD No. 2 Pledge Agreement (A2B2), 14. 12- Form of General Counsel Opinion, 15. 13- Net Present Value Analysis- Sep16, 16. 14- District Boundary Exhibit, 17. 15- District Maintenance Exhibit, 18. 16- Updated Finance Plan Approval Request - Oct 27 2020, 19. 17- Community Meeting Notice - October 28, 2020, 20. 18- 10-26-20 Applicant Presentation, 21. Signed Resolution 106-20

Date	Ver.	Action By	Action	Result
11/10/2020	1	City Council	adopted	Pass
10/26/2020	1	Council Work Session	referred	

Resolution Authorizing Colorado Crossing Metropolitan District No. 2 to Issue Debt in the form of Series 2020A-1, Series 2020A-2 and Series 2020B-2 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 Colorado Crossing Metropolitan District No. 2 (“the District”) of bonds in an aggregate principal amount of approximately \$45,313,000 along with the related bond documents. The District is proposing to issue this debt in the form of \$23,400,000 of Limited Tax General Obligation Refunding Bonds, Series 2020A-1, approximately \$21,100,000 of Limited Tax General Obligation Bonds, Series 2020A-2, and approximately \$4,800,000 of Subordinate Limited Tax General Obligation Bonds, Series 2020B-2 (Limited Tax General Obligation Bonds, Series 2020. The proceeds of the 2020A-1 bonds will be used to refund existing debt issued by this District in 2017, with the 2020A-2 and 2020B-2 proceeds available as “new money” to

reimburse additional public improvements and related costs.

These bonds will be marketed and have estimated annual interest rates of 5.75%, 5.875% and 8.25% for the A-1, A-2 and B-2 bonds respectively. The debt service mill levies and specific ownership taxes for District Nos. 1, 2 and 3 will be pledged toward this debt, along with public improvement fee (PIF) revenues from a 1.0% retail PIF and a 2.0% lodging PIF, as applicable.

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.

Note: Immediately preceding this agenda item is a request for third amendment of the service plan for the Colorado Crossing Metropolitan District Nos. 1-3 to increase its maximum authorized debt from \$35,000,000 to \$50,000,000. Approval of this item would be contingent on approval of the prior item.

This item has been discussed at two City Council Budget Committee meetings and was introduced at a Council Work Session on October 26, 2020.

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 a separate legal entity from the City, with independently elected boards.

In this multiple district structure, as approved in the original 2006 service plan, District No. 1 has been functioning as the operating district and director's parcel, District No. 2 functions as the residential district, and with District No. 3 is the commercial district. The Districts now propose to modify the use of District No. 1 to eventually include developing properties originally included a part of District No. 2, if and when their land uses may convert from residential to non-residential purposes. The overall boundaries of these Districts have also been modified from those in the original plan, as a result of recent exclusions of property from District No. 3.

Around the 2018 timeframe, the Districts executed a series of inclusions and exclusions that have resulted in two parcels owned by In-N-Out Burgers being excluded from District No.3. However, these properties continue to have a responsibility for paying their share of the existing 2017 debt as it may be refinanced with the 2020A-1 bonds. This is accomplished through an agreement, such that the Assessor will continue to levy a property tax on these properties, sufficient to meet this obligation. This is currently estimated to be about 25 mills. The 1.0% PIF will also continue to be collected from this property, and be pledged to existing debt. An agreement has also been made with the excluded In-N-Out properties for a one-time payment in lieu of the O&M mill levy that will no longer apply to these properties.

District No. 2 is authorized by the service plan and City Policy to levy up to 40.0 total mills (Gallagher Adjusted) in property tax (30.0 for debt service and 10.0 for operations and maintenance). As

commercial districts, Districts No. 1 and 3 are authorized to levy up to 60.0 mills (50.0 for debt service and 10.0 for operations).

The plan for District No. 1 is to use it essentially as an “overlay” on top of any existing District No. 2 properties that would be converted to non-residential purposes in the future. Where they would overlap, the combined mill levy of District Nos. 1 and 2 would be limited to no more than 50 mills, Gallagher adjusted. At this time, the anticipated mill levies would be as follows:

District No. 1	18.659 mills
District No. 2	33.341 mills
District No. 3	50.0 mills
Districts 1 and 2 when overlapping	50.0 mills

Although the potential terms for these bonds could extend to the Year 2060 or potentially thereafter, the bond documents stipulate that the debt service mill levy for District No. 2 will expire by 2047, which is consistent with the maximum debt service mill levy imposition term in the Service Plan and Special District Policy.

This mixed use development in the Colorado Crossing area has been actively developing in the last few years after a protracted period of financial difficulty beginning in about 2008. Recently, approved development plans for the southeastern part of the project have been modified significantly in response to a change in plans for what had originally been intended to be a large “Field of Dreams” sports complex.

The public improvements costs to be financed by these refunded and new money bonds consist of a portion of the about \$44.7 Million in eligible or potentially eligible costs as generally depicted in an attached graphic. These include prior expenditures and anticipated future costs.

Assuming the corresponding service plan amendment is approved, the updated Council-imposed \$50,000,000 service plan limit on total “new money” principal debt amount allowable for these Districts, will not be exceeded.

These Series 2020 bonds will be structured to be “callable” in five years (December of 2025, such that a future board might be in a position to refinance them.

The City Council Budget Committee considered this request and the corresponding debt authorization item at their September 22, 2020 meeting. After presentations by City staff and the petitioners, and Committee discussion, the Committee essentially tabled these items to their next meeting with identified questions to provide follow-up information for. With respect to this debt authorization item, the Committee asked for additional information to:

- Explain necessity for potential overlap of District Nos. 1 and 3, and confirm compliance with overall mill levy caps
- Further explain the exclusion and status of In-N-Out parcels
- Clarify District operations responsibilities
- Respond to questions on net present value analysis relating to 2020A-1 bonds

At a subsequent special Budget Committee meeting held on October 20, 2020 the applicants

responded to these questions and specifically updated their presentation to indicate a future subsequent bond issue could be anticipated in the 2027 timeframe. After Budget Committee discussion District representatives agreed to amend their service plan amendment request reduce the new maximum debt limit from the originally requested \$60,000,000 to \$50,000,000 which should be sufficient to all issuance of these 2020 bonds, but not necessarily a future issuance. The Budget Committee also requested additional public improvements cost detail, including more explanation of the proportional allocation of improvements versus bond costs, by district. There was further discussion and explanation centering on the need to overlap districts going forward, in order to assure debt service limits are not exceeded, while maintaining consistency with bond covenants.

At this Budget Committee meeting, District representatives also reported that they planned on holding a meeting with District property owners (including residents) on October 28, 2020 to explain the pending service plan change. Property owners were noticed, and District counsel reports that no owners attended. There was virtual meeting option.

At the October 26, 2020 Council Work Session, District representatives presented an extensive PowerPoint providing background on the proposal and responding to Budget Committee and Council questions.

Included as attachments are the following documents:

- Revised draft Council resolution
- Original and updated transmittal letter from Districts
- Updated term sheets
- Draft indentures
- Draft pledge agreements
- Graphics provided by the Districts depicting boundaries, cost allocations and maintenance responsibilities
- 10/26/20 PowerPoint presentation provided by the Districts
- Updated financial projections - with overall summary of costs to be financed
- Net present value analysis for 2020A-1 bonds
- Draft opinion from District's bond counsel
- District notice for 10/28/20 property owner meeting

Previous Council Action:

Mixed use PUD zoning and concept plan were approved for the Colorado Crossing development were approved in 2005. In 2006 City Council approved a consolidated service plan ("Original Service Plan") for the Districts (Resolution 126-06). On October 25, 2016 Council approved a first amendment of this service plan to allow ownership and operation of a parking structure by these Districts (Resolution 111-16). On February 14, 2017 Council authorized issuance of up to \$15,000,000 in general obligation bonds for District No. 2 (Resolution 57-17). On December 11, 2018 Council approved a second amendment of this service plan to authorized maintenance of district- owned streets (Resolution 157-18).

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 limited debt service mill levy set forth in the Service Plan. The Service Plan contains "Gallagher adjusted" maximum debt service mill levies of 30 mills for District No. 2 and 50 mills for District Nos. 1 to 3 which are subject to adjustment tied to any changes in the rate of assessment for residential property, as allowed for in the Service Plan.

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 Colorado Crossing Metropolitan District No. 2 to Issue debt in the form of Series 2020A-1, Series 2020A-2 and Series 2020B-2 Limited Tax General Obligation Bonds

N/A