



## Legislation Details (With Text)

**File #:** 21-081      **Version:** 1      **Name:** Copper Ridge MD  
**Type:** Resolution      **Status:** Mayor's Office  
**File created:** 1/14/2021      **In control:** City Council  
**On agenda:** 2/23/2021      **Final action:** 2/23/2021

**Title:** A Resolution Approving the Issuance of Debt by Copper Ridge Metropolitan District in the Form of a Limited Tax Obligation Loan in a Principal Amount Not to Exceed a Principal Amount of \$6,000,000.

(Legislative Item)

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

**Sponsors:**

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

**Code sections:**

**Attachments:** 1. Resolution\_CopperRidgeMD, 2. PowerPoint, 3. 1- Transmittal Memo\_Copper Ridge Met Dist\_January 2021, 4. 2- Copper Ridge Term Sheet 12.16, 5. 3- Copper Ridge MD 2021 Loan Agreement, 6. 4- CRMD Cash Flow Model\_1.19.2021, 7. 5- CRMD 2021 Loan Improvements Map, 8. 6- Draft District Opinion letter, 9. 7- Stifel External Financial Advisor Cert\_CRMD\_January 2021, 10. Signed Resolution 26-21

Date	Ver.	Action By	Action	Result
2/23/2021	1	City Council	adopted	Pass
2/8/2021	1	City Council Work Session	referred	

A Resolution Approving the Issuance of Debt by Copper Ridge Metropolitan District in the Form of a Limited Tax Obligation Loan in a Principal Amount Not to Exceed a Principal Amount of \$6,000,000.

(Legislative Item)

**Presenter:**

Carl Schueler, Comprehensive Planning Manager, Planning and Community Development

**Summary:**

This is a request to approve issuance of additional formal debt in an aggregate amount not to exceed \$6,000,000 by the Copper Ridge Metropolitan District ("District") in the form of a tax-exempt commercial bank loan, to be repaid from a combination of property tax and public improvement fee (PIF) revenues. The City's Special District Policy and the District's service plan require that City Council's approval be obtained prior to issuing any debt.

The loan proceeds are anticipated to be drawn down in the next 18 months or so to reimburse existing and near-term future public improvements costs.

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.

This item was presented to and discussed by the Budget Committee on January 26, 2021, and then introduced at a Work Session on February 8, 2021.

**Background:**

Metropolitan districts are created under Colorado Statute and City Policy to finance and/or maintain certain public improvements in commercial areas, primarily utilizing a property tax mill levy as the revenue source. These districts are separate legal entities from the City, but their service plans require City Council approval of all formal debt. The standard of review of the debt instruments is consistency with the Operating Plan and all applicable laws.

The rapidly developing Copper Ridge Metropolitan District has undertaken a series of formal new debt or refinancing issuances, beginning in 2013.

This proposed issuance is anticipated to be in the form of a tax-exempt commercial bank loan that will provide approximately \$6,000,000 in additional proceeds to be used to reimburse additional eligible public improvements costs. The interest rate will be formally established at the time of closing but is expected to be approximately 3.13%. The loan agreement includes a “default rate” provision which could increase the original rate by up to an additional 4%. However, this increase would only potentially be triggered by lack of performance on the pledges in the agreement, and not for example on whether the limited pledged revenues were, or were not, sufficient to service the loan. The term of this additional loan will be up to 18 years from closing.

The loan will be repaid from the existing debt service mill levy (currently 28.5 mills) along with applicable specific ownership tax revenue, and revenue from the currently established 1.00% PIF (public improvement fee) applicable to sales within the District. The loan documents allow for a maximum debt service mill levy pledge of up to 50.0 mills.

The District’s Service Plan authorizes a maximum of \$85,000,000 in indebtedness. With this loan, the District will approach, or slightly exceed \$85,000,000 in total outstanding indebtedness. However, for the purposes of this limit the service plan specially defines debt as not including bonds or loans that are not secured by property taxes. Staff notes that the majority of this District’s debt (about \$63,365,000) is associated with bonding for the ongoing Powers Boulevard extension project, and for which Urban Renewal Authority Tax Increment Financing (TIF) is pledged. The service plan specially defines “debt” for this purpose as follows:

Debt: any bond, note debenture, contract or other multiple-year financial obligation of a District which is payable in whole or in part from, or which constitutes a lien or encumbrance on the proceeds of ad valorem property tax imposed by a District.

Staff also notes that there is a property within this District that is in the process of being excluded by from this District because it is under contract and being considered for conversion to residential (multi-family) uses. Upon exclusion, this property will remain liable for all applicable debt previously issued by the District, but it would not be responsible for this debt or any future issued debt. Assuming the multi-family project goes forward, exclusion will assure that future owners of that property will not be responsible for a debt service mill levy greater than the 30.0 mill Gallagher-adjusted cap established by this service plan. This property would remain in the overlying urban renewal area.

This item was presented at the January 26, 2021 Budget Committee, at which time clarifying questions were asked, and refinements to the Council resolution were suggested (these have been made). Staff and District representatives provided an overview of this item at a February 8, 2021 Council Work Session, at which time the exclusion status of the potential residential parcel was updated, and it was agreed that the explicit 4% interest rate limitation could be deleted from the Council resolution.

**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 limitations required by the City's Special District Policy. This debt is being arranged with a third-party financial institution, but it has not been actively marketed. A letter has been provided by an external financial advisor with an opinion regarding the "fairness and feasibility of the interest rate and the structure of the debt".

The bond resolution 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.

Note: As of 2020 the approximate assessed valuation (AV) of this District is approximately \$28 Million, which, as with essentially all district debt issuances throughout the City, is greater than 10% of the total existing and proposed total outstanding debt of this District.

**Previous Council Action:**

The District was established by an election in May 2008 following adoption by Council of a resolution authorizing creation of the District (Resolution No. 51-08). In 2010 City Council approved an urban renewal plan for the area where the District is located. In 2013, Council approved an initial debt issuance of \$1,850,000 in the form of a general obligation loan (Resolution No, 111-13). In 2014, Council authorized issuance of up to \$3,000,000 in debt as an additional loan (Resolution No, 63-14). On June 14, 2016 Council approved issuance of up to \$11,250,000 in debt in the form of a limited tax general obligation loan (Resolution No, 61-16). On February 13, 2018 Council authorized issuance of up to \$6,000,000 in additional debt in the form of another bank loan (Resolution No. 8-18).

On May 28, 2019, Council approved Resolution No, 52-19 authorizing this debt to be issued an amount not-to-exceed \$61,000,000. On September 10, 2019 Council approved a request to increase that authorization to up to \$70,000.000 (Resolution 84-19). Council has also approved a number of actions pertinent to the urban renewal designation for this area.

**Board/Commission Recommendation:**

The City's staff-level Special District Committee has been provided copies of these materials. All comments received have been in support and/or stated no concerns.

**Stakeholder Process:**

N/A

**Alternatives:**

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

**Proposed Motion:**

Move to adopt a resolution authorizing the issuance of debt by the Copper Ridge Metropolitan District in the form of a limited tax obligation loan in a principal amount not to exceed \$6,000,000.

N/A