



Legislation Details (With Text)

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Title: A resolution of the City Council of the City of Colorado Springs, Colorado approving the issuance of a limited tax general obligation refunding loan by the Briargate Center Business Improvement District

(Legislative Item)

Presenter:

Carl Schueler, Comprehensive Planning Manager, Planning & Development Department

Sponsors:

Indexes: BID, Issuance of Debt

Code sections:

Attachments: 1. Resolution_BriargateCenter_BID, 2. Figure 1 - Briargate letter 10.23.pdf, 3. Figure 2 - Final Commitment Letter with Term Sheet, 4. Figure 3 - Briargate Center BID 2018 Loan Agreement, 5. Figure 4 - Briargate Center BID 2018 Custodial Agreement, 6. Signed Resolution 147-18

Date	Ver.	Action By	Action	Result
11/27/2018	1	City Council	adopted	Pass
11/13/2018	1	Council Work Session	referred	

A resolution of the City Council of the City of Colorado Springs, Colorado approving the issuance of a limited tax general obligation refunding loan by the Briargate Center Business Improvement District

(Legislative Item)

Presenter:

Carl Schueler, Comprehensive Planning Manager, Planning & Development Department

Summary:

This is a request to authorized refinancing of debt in the estimated principal amount of \$3,544,500 by the Briargate Center Business improvement District ("District") in the form of a Series 2018 loan, to be repaid from a limited property tax. The City's Special District Policy and the District's approved Operating Plan and Budget require that City Council's approval be obtained prior to issuing any debt.

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 Section 7-100.

This item was introduced at a Council Work Session on November 13, 2018. There were no substantive comments or questions to follow up on from that meeting.

Previous Council Action:

The BID was established pursuant to Ordinance 02-24 adopted by Council on February 12, 2002, which Ordinance approved the initial operating plan and budget ("Operating Plan") for the BID. Council authorized an initial debt issuance in 2006 (Resolution 70-06) and then authorized refinancing of this debt as commercial bank loan in 2012 (Resolution 79-12). The BID's Operating Plan has been approved annually since that time in accordance with Section 31-25-1211, C.R.S., and most recently on October 23, 2018.

Background:

BIDs are created under Colorado Statute and City Policy to finance and/or maintain certain public improvements in non-residential areas, utilizing a property tax mill levy as the revenue source. BIDs are separate legal entities from the City, but their Operating Plans and the Special District Policy require City Council approval of all formal BID debt. The standard of review of the debt instruments is consistency with the Operating Plan and all applicable laws.

The existing 2012 commercial bank loan was issued in the amount of \$4,335,000 with an interest rate of approximately 3.4%. However, this loan has a balloon payment provision that will be effective on July 9, 2019. This provision was purposefully put in place at the time to trigger a need for refinancing. Without further action, the interest rate on the current loan will increase by 6% and the term would extend to 2037. The District has chosen to work with the current lender on this refinancing, and desires to close expeditiously due to the interest rate environment. Although the transaction is "arms-length", because it has not been fully marketed, an opinion from an External Financial Advisor is required and has been attached.

Although authorized to levy up to 50.0 mills for debt service, this BID has most recently certified a levy of 34.00 mills for debt service purposes.

The draft loan resolution is attached. This debt is anticipated to be a renegotiated loan with an anticipated interest rate of approximately 4.84%, and a term of 10 years. The loan documents pledge a 50.0 mill debt service cap, although it is anticipated that the current debt service levy of 34.0 mills is expected to remain. The specific ownership tax revenues available to this District have also been pledged, although the expectation is they will not be used.

The improvements that were reimbursed from the original loan proceeds generally included on-site improvements including parking, drive aisles, sidewalks, retaining walls, stormwater facilities and streetlights.

Additional public improvements expenditures have been accrued subsequent to the 2012 loan. However, at this time the District has no plans for additional formal debt issuances.

A special improvement district (SID) associated with this BID has also issued debt for which the properties in this BID are responsible for. These Year 2006 Assessment bonds were originally issued the amount of \$5,850,000, and are serviced by a different revenue stream. Therefore, they are neither senior to nor subordinate to this loan.

Financial Implications:

Pursuant to the District's operating plan, the City Special District Policy, 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. City Charter Section 7-100 provides that

the total debt of any special district may not exceed ten percent (10%) of the total assessed valuation of the taxable property within the district unless such debt is approved by at least a two-thirds vote of the entire Council.

The loan documents are structured so that any risk beyond the maximum capped mill levy will not accrue to the property owners.

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 with no stated concerns.

Stakeholder Process:

N/A

Alternatives:

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

Proposed Motion:

Move adoption of the resolution authorizing the Briargate Center Business Improvement District to issue refinanced debt in the estimated amount of \$3,544,500, in the form of a Limited Tax General Obligation Refunding Loan.