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Title: Approval of the Proposed 2022 Operating Plan and Budget for the USAFA Visitors Center Business Improvement District

Presenter:
Carl Schueler, Planning Manager - Comprehensive Planning

Sponsors:

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Date	Ver.	Action By	Action	Result
10/26/2021	2	City Council	approved	Pass
10/11/2021	1	Council Work Session	referred	

Approval of the Proposed 2022 Operating Plan and Budget for the USAFA Visitors Center Business Improvement District

Presenter:

Carl Schueler, Planning Manager - Comprehensive Planning

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 2022 Operating Plan and Budget for the BID.

The Operating Plan and Budget for this BID anticipates a pending and previously authorized issuance of debt of up to \$90,000,000 which may occur in late 2021, with associated construction activities and draws from the bond proceeds. The District does expect to certify a mill levy for the first time in 2022; however, the District does not expect to receive any revenue associated with the mill levy in 2022. In addition, the BID anticipates requesting a name change sometime in 2022.

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 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 2022 Operating Plans 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. Pre-development costs associated with the reimbursement agreement amount to \$5.7M as of September 15, 2021. It is anticipated that these costs will be reimbursed through the bond issuance that is expected to be completed prior to the end of 2021. 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 (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). Due to unforeseen circumstances resulting from the coronavirus pandemic, the District was unable to close on bond issuances that had been approved by Council in early 2020. As a result, the District requested and City Council granted an extension until December 31, 2021 to issue the bonds, and an increase to the debt issuance limit to \$90,000,000 (Resolution No. 18-21). With the exception of this extension and debt limit increase, 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.

In February 2021 City Council approved, via motion, an Amended 2021 Operating Plan incorporating, among other things, the debt issuance extension and increased debt limit.

This Operating Plan and Budget item was also introduced in a City Council Work Session on October 11, 2021.

Financial Implications:

The District does not have any existing debt obligations but expects to issue \$90,000,000 in both taxable and tax-exempt debt in the last quarter of 2021.

The attached budget includes a \$135,000 developer advance to fund items related to preparations for construction activities. The 2021 budget as estimated in the 2022 Operating Plan includes the

\$1,200,000 in LART funding that the District was awarded in 2020 and 2021, which is currently on hold pending the issuance of debt.

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 2021 for collection in 2022, however, the District does not expect to receive any revenue associated with the mill levy in 2022. In addition, it is anticipated that the District will 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 amounts of these PIFs are expected to be 3.0% for retail sales and services and 2.0% for lodging.

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 2022 Operating Plan and Budget.

Stakeholder Process:

N/A

Alternatives:

N/A

Proposed Motion:

Move to approve the proposed 2022 Operating Plan and Budget for the USAFA Visitors Center Business Improvement District

N/A