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Title: Approval of the Proposed 2021 Operating Plan and Budget for the SW Downtown Colorado Springs Business Improvement District

Presenter:
Carl Schueler, Comprehensive Planning Manager

Sponsors:

Indexes:

Code sections:

Attachments: 1. 2021 Operating Plan - SW Downtown BID - revised(4300355.1) 10.16.20, 2. SW Downtown BID - redline 10.16.20

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 SW Downtown Colorado Springs Business Improvement District

Presenter:
Carl Schueler, Comprehensive Planning Manager

Summary:

The SW Downtown Colorado Springs 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 anticipates additional public improvements activity and corresponding draws and reimbursements from the proceeds of recently authorized bonds. The BID may include additional property in 2021, and it expanding its operations and maintenance functions.

This BID provided a revised final version of their 2021 Operating Plan to update and/or clarify the following; paragraph 1.D, property and major asset ownership; paragraph 5, anticipated operations, service and maintenance agreements; paragraph 6.B, authorized indebtedness approved by the City versus the electors of the District; paragraph 6.E, additional language added to include the interest rate for the issued bonds, the bond redemption date, and confirmation that the District will annually review the interest rate on the bonds; and paragraph 6.F, additional language added to clarify City Council’s authorized debt issuance timeline. This BID also revised their 2021 Budget to include an increase to the Developer Advance amount budgeted for operations, and added language to the Summary of Significant Assumptions that details the operating and facilities funding and acquisition

agreements related to developer advances, and updates to the Debt and Leases table to align the amounts related to developer advances with the proposed budget document. A red-lined excerpt from the Operating Plan is included as an attachment to this item which documents the changes made, specific to the bond refunding language.

Background:

The initial boundaries of this BID were established pursuant to an election in 2017 and additional properties were added to the District in 2019. As stated in the Operating Plan, the BID expects to include future additional properties as boundaries are established and additional property owners participate in the District. Under State statute, any such inclusions must be approved by separate City Council ordinance. In some cases, these future inclusions may be specific to separate floors of buildings that are devoted to eligible non-residential uses.

The District has a 5-member board elected by the eligible electors of the District as provided by law. The District is authorized to provide the acquisition of improvements, construction of improvements, operation and maintenance of parking facilities, roadways, lighting, driveways, public utilities, and landscaping.

This Operating Plan and Budget is provided in a format consistent with the standard template approved by Council in August 2014 for these documents.

The District anticipates funding the design, installation, or acquisition of public improvements during 2021 as required to support development within the District.

Previous Council Action:

City Council originally approved formation of this BID in 2017 (Ordinance No. 17-94). On the same date in 2017, Council also approved a service plan allowing creation of Southwest Downtown Metropolitan District Nos. 1 and 2. The developer expects to include properties in the project area into one of these three available districts, as part of a comprehensive approach to public financing and operations and maintenance. Council approved an ordinance to include additional property into this BID on May 14, 2019 (Ordinance No. 19-26).

On February 11, 2020 Council approved the issuance of debt in principal amounts of approximately \$28,275,000 as Series 2020A, and approved future debt issuance of a combined aggregate principal amount of the Series 2020A and subsequently issued bonds not to exceed \$50,000,000 (Resolution No. 10-20). In June 2020 the District issued \$30,500,000 in Series 2020A bonds, the balance of the aggregate sum authorized by City Council for subsequently issued bonds is \$19,500,000 and must be issued within four (4) years of the date of the Resolution. In addition, not less than thirty (30) days prior to any subsequent issuance of bonds for the balance of the aggregate sum authorized, the District shall provide detailed information and an informational update to the City Council.

This item was introduced in a City Council Work Session on October 12, 2020. Council had no comments or questions that were uniquely pertinent to this Operating Plan and Budget. However, this is one of the BIDs that has outstanding debt with an interest rate greater than 7.0%, and for which Council requested additional language pertaining to call dates and consideration of refinancing.

Financial Implications:

In June 2020 the District issued the SW Downtown BID \$30,500,000 Limited Tax Supported and

Special Revenue Senior Bonds Series 2020A. The bonds bear an interest rate of 8% and are subject to optional redemption any time and subject to mandatory redemption on October 15th each year. As described in the 2021 Operating Plan, the District will annually review the interest rates on its bonds regarding market interest rate and evaluate possibilities to refund such bonds to the extent allowed, pursuant to the bond documents. The bonds were issued on a “drawdown” basis so that advances can be made in multiple installments, the initial drawdown was for \$15,500,000, however, based on the budget submitted the District anticipates drawing down the remaining balance prior to the end of 2020. The bonds are structured as “cash flow” bonds, meaning that no regularly scheduled payments of principal are due on the bonds prior to their maturity date of December 1, 2049. Instead, interest on the bonds is payable on June 1 and December 1, and payments on the principal are payable on December 1 pursuant to a mandatory redemption from available Pledged Revenue, if any. The bonds will be repaid from a combination of limited BID property tax, specific ownership tax along with property and sales/use tax increment financing (TIF) revenues from the overlying urban renewal area. In addition, property taxes from the two related metropolitan districts in the area will be pledged as revenues.

The proposed operational mill levy for the BID in 2021 is 25.000 mills (5.000 mill for operational expenses and 20.000 for debt service), this mill levy is unchanged from 2020. This District will also receive tax increment financing (TIF) generated from the Districts projects to be used toward the repayment of the District’s bonds. For 2021, \$195,000, in CSURA TIF Revenues are projected. This District currently does not have a public improvement fee (PIF) in place. However the Operating Plan and Budget allows for, and authorizes a potential future PIF.

The District also has entered into an Inter-District Intergovernmental Agreement with SW Downtown Metropolitan Districts Nos. 1 & 2 whereby the District is responsible for the development and operation of all public improvements and the two Metropolitan Districts will assign revenue to offset the expenses incurred by the District. For 2021, \$116,101, is projected in intergovernmental revenue.

The District may enter into additional agreements for landscaping, parking facility operation and maintenance, and security to enhance the area within the District as described in the Redevelopment Agreement with the City dated February 11, 2020.

The District has an outstanding developer advance balance of \$798,147, which accrues interest at a rate of 6% for operations and 8% for infrastructure. As of December 31, 2019 the accrued interest on the developer advance balance was \$9,952. The 2021 budget includes developer advances for operations of \$300,000 and \$5,268,451 for capital infrastructure costs.

As a separate legal entity, the financial activities of the BID are separate from those of the City. Its financial obligations are specific to the properties included in the BID 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 SW Downtown Colorado Springs Business Improvement District.

N/A