



Legislation Details (With Text)

File #: 22-075 **Version:** 1 **Name:** North Meadow No. 5 MD
Type: Resolution **Status:** Mayor's Office
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Title: A resolution of the City Council of the City of Colorado Springs, Colorado approving the issuance of debt by the North Meadow Metropolitan District No. 5 in the form of either Limited Tax General Obligation Cash Flow Bonds or a combination of Senior Limited Tax General Obligation Capital Appreciation and Subordinate General Obligation Bonds in an aggregate amount not to exceed \$110,000,000 in an area located along East Woodmen Road.

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

Sponsors:

Indexes: Issuance of Debt, Metropolitan District

Code sections:

Attachments: 1. Resolution, 2. North Meadow MD - Applicant Presentation, 3. Bond Issuance Cover Letter - North Meadow (Updated), 4. Public Improvements Costs, 5. F.2 North Meadow MD#3-2 Financial Plan, NRLF+B3, Feb1, 6. F.3 North Meadow MD#3-5 Financial Plan, NR A3 Snr CF, Feb1, 7. Authorizing Resolution (Cashflow Bonds) - North Meadow, 8. Authorizing Resolution (Seniors and Subs)- North Meadow, 9. 62326534_v 3_Bond Counsel Opinion (Cashflow Bonds) - D5 Issuer, 10. 62326644_v 3_Bond Counsel Opinion (GO Subordinate) - North Meadow D3 Issuer, 11. 62326675_v 3_Bond Counsel Opinion (GO Senior) - North Meadow, D3 Issuer, 12. Cashflow GC Opinion - North Meadow, D5 Issuer, 13. Senior and Subordinate North Meadow GC Opinion Form, 14. North Meadow MD - D.A Davidson Letter, 15. Signed Resolution 40-22

| Date | Ver. | Action By | Action | Result |
|-----------|------|---------------------------|----------|--------|
| 3/22/2022 | 1 | City Council | adopted | Pass |
| 3/7/2022 | 1 | City Council Work Session | referred | |

A resolution of the City Council of the City of Colorado Springs, Colorado approving the issuance of debt by the North Meadow Metropolitan District No. 5 in the form of either Limited Tax General Obligation Cash Flow Bonds or a combination of Senior Limited Tax General Obligation Capital Appreciation and Subordinate General Obligation Bonds in an aggregate amount not to exceed \$110,000,000 in an area located along East Woodmen Road.

Presenter:

Carl Schueler, Comprehensive Planning Manager, Planning & Community Development
Peter Wysocki, Director of Planning & Community Development

Summary:

This is a request to approve issuance of formal debt in an aggregate amount not to exceed \$110,000,000 by North Meadow Metropolitan District No. 5, but also with a pledge of revenues from North Meadow Metropolitan District Nos. 3 and 4. Two different bond structures are being proposed. One option would be a single cash flow bond and the other would be a combination of senior bond

and a subordinate bond. The district board would select the option prior to closing based on which generated the greatest yield for their project fund. With either structure, the bonds would be repaid from a combination of property tax and associated 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 net revenues from these issuances will be used to reimburse anticipated public improvements costs for this project area. The draft Council resolution includes limits related to the total principal amount, discharge date and call dates. Anticipated interest rates vary depending on the structure and would be determined immediately prior to closing.

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 agenda item was discussed at a February 22, 2022, City Council Budget Committee where there were a number of questions (see discussion below).

The Districts are located in Council District No. 6.

Background:

The North Meadow Metropolitan Districts are expected to provide financing and a source of reimbursement for qualifying public improvements within a property in the north part of Banning Lewis Ranch development located along East Woodmen Road. These districts were recently created in 2021. District Nos. 1-4 are all contemplated to be residential districts, with debt service mill levies limited to no more than 30.0 mills (Gallagher adjusted). District No. 5 is intended to be the commercial district and has a debt service mill levy cap of 50.0 mills.

The Districts are requesting that two alternative bond structures be authorized, with one being a single "cash flow" bond and the other being a combination of a senior capital appreciation bond and a subordinate bond.

The proceeds from these bonds would be used primarily as a project fund to pay for future public improvements costs primarily related to extension of the roadway and utilities necessary to develop this site. Zoning and development approvals are in place to generally support these uses. About 2,600 homes and 540,000 square feet of commercial space are expected to be completed within this development in the next approximately seven years, to support this debt. The service plan (as currently proposed to be amended) authorizes up to \$200,000,000 in combined debt authorization for all five of these districts.

In all cases, these bonds would be marketed, with interest rates varying based on both the structure and the bond market at the time of issuance. Rates anticipated at this time range from a low of possibly 5.0% for the senior bond along with 8.0% for the subordinate bond that would be included in that structure. If only the single cash flow bond were issued, that rate is currently anticipated to be around 5.75%. The applicants have indicated they would choose the option that yielded the most useable proceeds at the time of issuance.

In all cases these issuances would have a term of 30 years, with an anticipated maturity date of December 2052. Because there will be residential uses in this district, the bonds are now structured to have discharge dates of no later than December 2062, after which there would be no further obligation of taxpayers, regardless of whether any principal or interest was outstanding at that time.

This will maintain consistency with service plan provision for the Maximum Debt Service Mill Levy Imposition Term of no longer than 40 years. These districts expect to first certify a debt mill levy in late 2022 for collection in 2023.

The debt service mill levy available to service these bonds is limited to a “Gallagher adjusted” 30 mills (along with associated specific ownership tax).

These Series 2022 bonds will be structured to be “callable”, such that a future potentially resident board might possibly be in a position to refinance these obligations, subject to future financial conditions. The bonds will be structured to allow for refunding in as few as 5 years, with an optional call date provision of no more than 7 years.

Financial projections are attached, along with an exhibit depicting the public improvements costs to be reimbursed from bond proceeds.

The City Council Budget Committee discussed this request at their February 22, 2022, meeting and had questions and requests. The Districts’ representatives responded to clarifying questions, including about the implications of the multiple district revenue pledge. It was specifically noted that the modeled revenue from the commercial district (No. 5) was anticipated to account for about 40% of the total revenue over the life of the bonds.

Included as attachments are the following documents:

- Draft Council resolution
- Transmittal letter from District
- Draft district bond resolutions
- Financial projections
- Cost summary
- Draft opinions from District general counsel and bond counsel
- Applicant PowerPoint

Previous Council Action:

City Council approved a consolidated service plan for the North Meadow Metropolitan District Nos. 1-5 on March 23, 2021 (Resolution 44-21)

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 “limited default” provisions required by the City’s Special District Policy. These bonds will be marketed to third party investors.

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 Districts unless approved by at least a two-thirds vote of the entire Council.

City Council Appointed Board/Commission/Committee Recommendation:

N/A

Stakeholder Process:

The staff-level Special District Committee has been provided with access to these materials associated with this request. As of the date of this staff report, there have been no comments or questions from the Committee on this request.

Alternatives:

Approve the resolution as presented

- Deny the resolution
- Approve the resolution with modifications to the bond issuance

Proposed Motion:

Adopt a resolution approving the issuance of debt by the North Meadow Metropolitan District No. 5 in the form of either Limited Tax General Obligation Cash Flow Bonds or a combination of Senior Limited Tax General Obligation Capital Appreciation and Subordinate General Obligation Bonds in an aggregate amount not to exceed \$110,000,000 in an area located along East Woodmen Road.

N/A