



Legislation Details (With Text)

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Title: Authorization for Gold Hill Mesa Metropolitan District No. 2 to issue up to \$6,360,000 in Debt as a Limited Tax General Obligation Loan (Legislative Matter)

Sponsors:

Indexes: Metropolitan District

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Attachments: 1. GHM 2 PowerPoint Slides, 2. GHM Loan City Resolution, 3. 0-Summary of GHM MD #2 2015 Loan Refi, 4. 1-Gold Hill Mesa District Loan Resolution, 5. 2-Gold Hill Mesa District Loan Agreement (2), 6. 3-Custodial Agreement (2), 7. 4-Financial Plan, 8. 5-District General Council Opinion Letter, 9. 6-External Advisor Letter, 10. 7-Commitment Letter Gold Hill Mesa, 11. Signed Resolution_146-15 (1).pdf

Date	Ver.	Action By	Action	Result
12/8/2015	1	City Council	adopted	Pass
11/23/2015	1	City Council Work Session	referred	

Authorization for Gold Hill Mesa Metropolitan District No. 2 to issue up to \$6,360,000 in Debt as a Limited Tax General Obligation Loan (Legislative Matter)

From:

Peter Wysocki, Planning and Development Director

Summary:

This introduces a request to approve issuance of formal debt in an aggregate amount of up to \$6,360,000 by the Gold Hill Metropolitan District No. 2 ("District") in the form of a bank loan for the primary purpose of refinancing previously issued debt and also to reimburse certain additional public improvement expenses. The City's Special District Policy ("Policy") and the District's approved service plan require that City Council's approval be obtained prior to issuing any debt. Formal City Council action on this item would occur on December 8, 2015.

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.

Previous Council Action:

The District was established by election in November 2004, following initial approval by Council of a service plan earlier that year (Resolution No.197-04). Council subsequently approved an amended and consolidated service plan for the Districts, by Resolution No. 99-06 adopted on July 11, 2006. A minor amendment was approved in 2007 to allow snow removal as an operational function. On July

26, 2011 Council authorized the issuance of up to \$9,460,000 in debt in the form of a combination of bank loans and subordinate bonds (Resolution No. 127-11). City Council designated the Gold Hill Mesa area as an urban renewal area in 2004, and in 2015 bifurcated these boundaries to establish a separate urban renewal area for the commercial part of the property. Over the past decade Council has also approved a variety of zoning and related land use applications for this development.

Background:

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

The Gold Hill Mesa Metropolitan Districts are organized in a multiple district structure with District No. 1 being the master district, District No. 2 being the residential district and District No. 3 serving as the commercial district. To-date, development activity has been limited to District No. 2. District No. 2 currently certifies a debt service mill levy of 25.0 mills and an operational mill levy of 10.00 mills for a total of 35.0 mills. Under their approved service plan they could increase their debt service levy to 30.00 mills and the total to 40.00 mills,

The proposed debt instrument will be a commercial bank loan in an amount not to exceed \$6,360,000, with the proceeds used to primarily to refinance certain existing debt obligations of the District. The attached loan draft agreement contains the form of the loan and includes the required "limited default" language. A preliminary term sheet and financial projections are attached.

Currently, the formally issued debt of the District is as follows:

- Promissory Note, Series 2011A, originally issued in the aggregate principal amount of \$2,640,000
- Promissory Note, Series 2011B, originally issued in the aggregate principal amount of \$1,720,000
- Subordinate Tax-Supported Revenue Bonds, Series 2011C, originally issued in the aggregate principal amount of \$2,160,000
- Second Subordinate Tax-Supported Revenue Bonds, Series 2011D, originally issued in the aggregate principal amount of \$3,157,000

The intent is apply the usable proceeds to pay off notes 2011A and B, apply approximately \$1,850,000 to pay down the balance due on Bond 2011D and use the remaining approximately \$496,000 to reimburse the developer for other remaining public improvements costs.

This debt will be in the form of a tax-exempt bank-held loan that will have a term of approximately 30 years, but with the expectation of refinancing. The exact interest rate on the loan will be determined at or immediately prior to closing. This rate is expected to be about 2.97% for the first seven (7) years and then rise to about 5.50% or more thereafter, assuming the loan was not refinanced. Certain events, such as failure to make timely payments or an adverse ruling on tax-exempt status will trigger increases on the rate; however, the rates are capped in accordance with the service plan. The only pledged revenues for this loan will be the maximum allowable debt service mill levy of 30.00 mills and the property taxes available pursuant to the tax agreement with the Urban Renewal Authority, along

with the associated specific ownership taxes.

The additional improvements to be financed generally consist of paving, water, sanitary sewer and storm sewer improvements previously installed in Gold Hill Mesa Filing 4.

An opinion that the proposed loan will be consistent with the service plan and all applicable laws has been provided by the District's general counsel, and is attached.

The attached resolution has an added provision requiring the closing of this loan to occur within one year of City Council approval. Loan documents will be evaluated with the intent to mitigate any concerns with the potential for "end user" capital debt service fees, as addressed in the pending service plan amendment.

Financial Implications:

Pursuant to the 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. Because the debt will be placed with a financial institution and is not technically marketed, a letter is provided by an external advisor with an opinion regarding the "fairness and feasibility of the interest rate and the structure of the debt". The District has solicited offers from several lenders and this will not be a related party transaction.

With this issuance, the total combined debt of the District will increase by about \$10,700,000 in outstanding principal but will remain well below the maximum of \$57,000,000 authorized by the service plan. The loan documents are structured so that any risk beyond the maximum capped mill levy, and the associated specific ownership tax will not accrue to the property owners. Although there is some potential for upward movement in the interest rate, there are maximum caps, and in any case the maximum exposure to resident property owners is limited to the debt service levy of 30.0 mills, Gallagher adjusted.

City Charter Article 7-100 requires that the total Debt of any proposed district shall not exceed 10 percent 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. The maximum capped mill levy and other provisions of the loan agreement, as well as representations from the District that the loan complies with the service plan and all applicable laws, provide a basis for Council's decision.

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:

Not applicable.

Alternatives:

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

Proposed Motion:

(for December 8, 2015)

Move approval of the resolution approving the issuance by the Gold Hill Mesa Metropolitan District No. 2 of a Limited Tax General Obligation Loan, Series 2016 in an overall principal amount not to exceed \$6,360,000.

Not applicable.