



Legislation Details (With Text)

File #: 22-074 **Version:** 1 **Name:** Meadowworks No. 2 MD
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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 Meadowworks Metropolitan District No. 2 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 \$43,000,000 located east in the southern part of Banning Lewis Ranch

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. Bond Issuance Cover Letter - Meadowworks, 3. F.1 Meadowworks MD#2 Financial Plan, NR A3 Snr CF, Jan25, 4. F.2 Meadowworks MD#2 Financial Plan, NRLF+B3, Jan25, 5. Authorizing Resolution (Cashflow Bonds) - Meadowworks, 6. Authorizing Resolution (Seniors and Subs)- Meadowworks, 7. Bond Counsel Opinion (GO Subordinate) - Meadowworks, 8. Bond Counsel Opinion (Cashflow Bonds) - Meadowworks, 9. Bond Counsel Opinion (GO Senior) - Meadowworks, 10. Cashflow GC Opinion - Meadowworks, 11. General Counsel Bond Opinion Letter - Updated, 12. Meadowworks MD - D.A Davidson Letter - 01.13.pdf, 13. Meadowworks - District Budget 6.3.21, 14. Signed Resolution 20 22

Date	Ver.	Action By	Action	Result
2/22/2022	1	City Council	adopted	Pass
2/7/2022	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 Meadowworks Metropolitan District No. 2 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 \$43,000,000 located east in the southern part of Banning Lewis Ranch

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Summary:

This is a request to approve issuance of formal debt in an aggregate amount not to exceed \$43,000,000 by Meadowworks Metropolitan District No. 2, in this case with no pledge of revenues from any of the other associated Meadowworks Metropolitan Districts. 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 to 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 primarily to fund future public improvement 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 January 25, 2022, City Council Budget Committee where there were questions, but no requests for follow-up actions. This item was then introduced at a Council Work Session on February 7, 2022.

The District is located in Council District No. 4.

Note: The staff and applicant PowerPoint presentations included with the prior agenda item summarized both that item (Freestyle Metropolitan District bond issuance) and this agenda item.

Background:

The Meadowworks Metropolitan Districts are expected to provide financing and a source of reimbursement for qualifying public improvements within a portion of the Banning Lewis Ranch development located southeast of the Colorado Springs Airport, in the Colorado Centre area. These districts were recently created in 2021. District Nos. 2-5 are all contemplated to be residential districts, with debt service mill levies limited to no more than 30.0 mills (Gallagher adjusted). District No. 1 is intended to be the commercial district. It and District Nos. 3-5 will not be directly associated with this debt issuance.

The District is 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. Master plan, zoning and development approvals are in place to support these primarily residential uses. The service plan authorizes up to \$400,000,000 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 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 January 25, 2022, meeting and had questions and requests. The District’s representative responded to clarifying questions.

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 (see prior agenda item)

Previous Council Action:

City Council approved a consolidated service plan for the Meadowworks Metropolitan District Nos 1-5 on July 27, 2021 (Resolution 99-21).

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 District 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:

Move adoption of the resolution approving the authorization for the issuance of debt by the Meadoworks Metropolitan District No. 2 in a combined principal amount not to exceed \$43,000,000

N/A