



Legislation Text

File #: 21-090, **Version:** 1

Resolution Authorizing the Banning Lewis Ranch Metropolitan District No. 8 to Issue Series 2021A Limited Tax General Obligation Bonds in an Amount Estimated to be \$18,995,000 and Series 2021B Limited Tax Subordinate Bonds in an Amount Estimated to be \$989,000 (Legislative).

Presenter:

Carl Schueler, Comprehensive Planning Manager, Planning and Community Development

SUMMARY:

This is a request to approve issuance of formal debt in an aggregate amount of up to \$19,989,000 by the Banning Lewis Ranch District No. 8 ("District") in the form of marketed Series A and B bond issues. The City's Special District Policy and the District's approved service plan require that City Council's approval be obtained prior to issuing any debt.

This request is expected be heard at the March 23, 2021 City Council meeting at which time **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 the February 23, 2021 Budget Committee meeting, and was introduced at the March 8, 2021 Work Session. At the Work Session, the applicants agreed to an overall combined cap of no greater than \$22,000,000 for the Series A and B bonds and to a cap of no more than \$2,250,000 for the Series B bonds, if privately placed.

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 for these debt instruments is consistency with the service plan and all applicable laws.

Banning Lewis Ranch Metropolitan District No. 8 was authorized in 2018 as one of four additional conventional residential metropolitan districts to be available for use by Oakwood Homes and/or its affiliates. District No. 8 has Gallagher adjusted mill levy caps of 30.0 mills for debt service and 20.0 for operations, respectively. The boundaries of this District have been "rolled out" and are anticipated to include about 1,129 dwelling units at buildout.

The proposed Series A and B debt instruments are proposed to be tax-exempt bonds marketed to third parties, and used to reimburse the developer for advances made to the District for public improvements already constructed, and as a source of funds for improvements expected to be

installed in the near future. However, the District would like to allow for a contingency of private placement of the B bonds in the event they cannot be marketed.

The senior Series 2021A Limited Tax General Obligation Bonds are proposed to be issued in an amount estimated to be \$18,995,000. The immediately useable proceeds (“project funds”) are anticipated to be about \$13.6M net of costs of issuance, capitalized interest and creation of a reserve fund. The interest rate for these bonds, which will be set at closing, is expected to be about 5.25%.

The Series 2021B Subordinate Cash Flow Bonds are proposed to be issued in an amount estimated to be about \$989,000. This interest rate, which will be set at closing, is expected to be about 8.75%. Payments of pledged revenues for these bonds are only made after the senior bonds are serviced.

The term (maturity) of the Series A and B bonds would be 30 years. Each is structured to have a “call date” beginning in five years (March 2026) with a declining premium from that point forward. Because this is a residential metropolitan district, it is subject to a 40-year Maximum Debt Service Mill Levy Imposition Term. Therefore, the draft Council resolution includes discharge dates that correspond with the original date of debt service mill levy imposition for this District (certified in 2059 for collection in 2060).

Pledged revenues for each bond issue will include the maximum Gallagher-adjusted capped debt service mill levy of 33.398 mills along with associated specific ownership taxes and a \$1,000 per lot facility fee charged at the time of building permit.

The improvements to be financed generally consist of a combination of installed and future public improvements including streets, sidewalks, water, sewer, storm sewer and park/trail improvements all as generally summarized in the applicant’s presentation.

The property is currently under development with City-approved Planned Unit Development (PUD) zoning in place to generally support the anticipated land uses within this District.

BLR District Nos. 8-11 in combination, have an overall debt service cap of \$100,000,000, with this being the first issuance that would count against this cap.

Council’s role is to approve the “form” of the debt subject to minor changes (e.g. final interest rates, and some final wording) that will occur prior to actual closing.

The attached resolution includes a provision requiring the closing of these bonds to occur within one year of City Council approval. The resolution also sets limits related to call (refunding) dates, as well as required discharge dates. Additionally, the resolution stipulates that the annual interest rate on the Series B Bonds shall be no greater than 8.00% in the event they are not marketed.

This agenda item was presented to the City Council Budget Committee on February 23, 2021. This included a District presentation (attached). Members asked clarifying questions focused primarily on the B bonds and the contingency that they could be privately placed. The bond underwriter provided an estimate of what the interest rates could be if the A and B bonds were combined. The Committee also asked for maximum not-to-exceed amounts for the B Bonds, as well as an accounting of the costs by category. Additional supporting information will be provided at the Work Session.

These attachments are provided:

- Draft City Council Resolution
- Cover letter from District
- Term Sheets
- Development Projections and Bond Summaries
- Draft Statements of Indenture for Series A and B bonds
- Draft Compliance Letter from District Counsel
- External Financial Advisor Opinion for Series 2021B Bonds (as may be applicable)
- Summary of Costs to be Reimbursed
- Map of District No.8

FINANCIAL IMPLICATIONS:

Pursuant to the service plan, the City Special District Policy, and the bond documents, the issuance of this debt does not constitute a financial obligation of the City.

With this first issuance by any of Banning Lewis Ranch Metropolitan District Nos 8-11, formally issued debt will be below the maximum of \$100,000,000 authorized by the service plan for Banning Lewis Ranch Metropolitan Districts Nos. 8-11 in combination. The bond documents are structured so that any risk beyond the maximum capped mill levy, and the associated specific ownership tax will not accrue to the tax paying property owners.

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 bond indentures, 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.

PREVIOUS COUNCIL ACTION:

The Banning Lewis Ranch Metropolitan Districts No. 8-11 ("Districts") were established by election in November 2018, following approval by Council of an initial service plan on August 28, 2018 (Resolution No. 93-18). City Council has previously authorized debt for Banning Lewis Ranch Metropolitan Districts No. 2, No. 3, No. 4, No. 5 and for Banning Lewis Ranch Regional Metropolitan District No. 1, each by formal resolution, and will be reviewing a request for authorization of debt by Banning Lewis Ranch Regional Metropolitan District No. 2. separately with this agenda. However, this would be the first debt formally issued by this particular district.

BOARD/COMMISSION RECOMMENDATION:

The City's staff-level Special District Committee has been provided copies of these materials. All comments received have stated no concerns.

STAKEHOLDER PROCESS:

Not applicable.

ALTERNATIVES:

- Approve the resolution as presented

- Deny the resolution
- Approve the resolution with changes to the service plan

PROPOSED MOTION:

Move approval of the Resolution of the City of Colorado Springs Authorizing the Banning Lewis Ranch Metropolitan District No. 8 to Issue Series 2021A Limited Tax General Obligation Bonds in an Amount Estimated to be \$18,995,000 and Series 2021B Limited Tax Subordinate Bonds in an Amount Estimated to be \$989,000.