



Legislation Text

File #: 15-00165, **Version:** 1

A resolution of the City Council of the City of Colorado Springs, Colorado approving the issuance of limited tax general obligation bonds and public improvements fee revenue bonds by the First and Main No. 2 Business Improvement District.

(Legislative Matter)

From:

Peter Wysocki, Planning and Development Director, Planning and Development Department

Summary:

This is a request to approve issuance of formal debt in an aggregate amount of up to \$3,475,000 by the First and Main Business Improvement District No. 2 ("District") in the form of two Series 2015 bonds, one to be repaid from public improvement fee (PIF) revenues and the other to be repaid from property tax revenues. The City's Special District Policy and the District's approved Operating Plan and Budget require that City Council's approval be obtained prior to issuing any debt.

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 on November 4, 2008, following adoption by Council of an ordinance creating the District on September 23, 2008 (Ordinance No. 08-144). In 2009, Council authorized issuance of Series 2009 Limited Tax General Obligation Bonds in the principal amount of \$2,400,000 (Resolution No. 53-09). In 2010, Council authorized issuance of Series 2011 Public Improvement Fee Revenue Bonds in the principal amount of \$2,000,000 (Resolution No. 186-10). In 2012 Council approved boundary modifications for this District (Ordinance 12-33) and in 2014 they approved a resolution eliminating term limits (Resolution 14-17.) On an annual basis, Council approves the Operating Plan and Budget for this District. This item was introduced to City Council at a March 9, 2015 work session.

Background:

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

The proposed bond resolutions are attached. This debt is anticipated to be in the form of tax-exempt bonds. The interest rate for each bond will be 6.75%. The general obligation bonds will be repaid from the existing debt service mill levy of 50.0 mills along with applicable specific ownership tax

revenues. The public improvement fee bonds will be repaid from the current PIF of 0.75% on all applicable sales within the BID. The 2015 bonds will be subordinate to the applicable bonds issued previously.

The improvements to be financed have been selected from among a larger list of cost determined by the BID to be eligible for reimbursement and are summarized in an attachment. These predominantly consist of parking lot, lights, park/courtyard and private street improvements.

Financial Implications:

Pursuant to the service plan, the City Special District Policy, bond 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 privately with related parties, letters have been provided by an external financial advisor with an opinion regarding the "fairness and feasibility of the interest rate and the structure of the debt".

With these issuances, the total combined debt of the District will remain well below the maximum of \$20,000,000 authorized by the election and the Operating Plan and Budget. The bond resolutions 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.

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.

Board/Commission Recommendation:

The Board of this BID supports these debt issuances. 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:

Move approval of the resolution approving the issuance by the First and Main Business Improvement District No. 2 to Issue debt not to exceed \$1,725,000 in the form of Public Improvement Fee Revenue Bonds and debt in the principal amount not to exceed \$1,750,000 in Limited Tax General Obligation Bonds.

Not Applicable.