



## Legislation Text

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**File #:** 17-786, **Version:** 2

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A resolution approving the issuance of debt by Allison Valley Metropolitan District No. 1 in the form of Series 2017 Limited Tax General Obligation Loans.

(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 \$16,500,000 by the Allison Valley Metropolitan District No. 1 ("District") in the form of a 2017A Limited Tax General Obligation Loan in an amount not to exceed \$10,000,000 and subordinate 2017B Limited Tax General Obligation Loan in an amount not to exceed \$6,500,000 ("the Loans"), to be repaid from property tax, and other allowable District revenues. The City's Special District Policy and the District's service plan require City Council's approval be obtained prior to issuing any debt.

Authorization of this debt issuance will require a 2/3rds majority of the entire City Council (at least six affirmative votes) pursuant to City Charter section 7-100.

**Previous Council Action:**

On August 2, 2006, City Council approved an initial service plan for the Allison Valley Metropolitan Districts No. 1 and No. 2 (the "Districts") by Resolution No. 129-06. City Council subsequently approved an Amended and Consolidated Plan (the "Service Plan") for the Districts by Resolution No. 87-15 adopted on September 8, 2015. On the same date, by Resolution 88-15, City Council approved the issuance of up to \$13,500,000 in initial debt for District No. 2 in the form of a commercial bank loan. This item was introduced in a January 23, 2017 Work Session.

**Background:**

This would be the first debt formally issued by Allison Valley Metropolitan District No. 1.

Metropolitan districts are created under Colorado Statute and City Policy to finance and/or maintain certain public improvements, primarily utilizing a property tax mill levy as the revenue source. These Districts are separate legal entities from the City, but their service plans 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 proposed debt is anticipated to be in the form of commercial bank loans. The interest rate will be formally established at the time of closing but is expected to be approximately 4.5% for the first issuance assuming the loans are determined to be non-taxable, and higher as a contingency if there

were a determination they were taxable. The term of the loans will be 30 years. The loans will be repaid from the existing debt service mill levy of 30.0 mills along with applicable specific ownership tax and system development charges assessed by the District at the time of building permit issuance. The loan proceeds are expected to be used to reimburse costs for a variety of public facilities including water, wastewater, stormwater, major roads, local streets and entry features, along with costs of issuance. These costs and expenses are summarized in an attached budget.

In most cases, these costs are accrued and managed in the form of developer advances/reimbursement agreements. Although interest accrues on these balances, these agreements do not constitute formally issued debt. The way these loans will be structured, not all of the proceeds will be immediately disbursed. Instead, increments of funding will be made available concurrent with progress of development within the project area.

Attached as part of this agenda item are the following documents:

- Draft City Council resolution
- Cover/transmittal letter
- Authorizing resolutions
- Draft loan agreements
- Term sheet
- Market study
- Budget
- Financing projections
- External financial advisor letter
- Service plan compliance letters

#### **Financial Implications:**

Liability for repayment of these loans will be limited to the properties within the District and will not extend to the general City or its taxpayers. Additionally, repayment obligations of resident property owners are limited to the currently capped mill levy of 30.0 mills (Gallagher adjusted). Finally, for residential metropolitan districts such as this one, there is a "Maximum Debt Service Mill Levy Imposition Term" of 40 years. This means that, although the term of these loans could be extended in the event of incomplete payment, at the end of this 40-year payment, any remaining risk would shift to the loan holder, not the City.

Much of the District is currently undeveloped, but within an area that is rapidly developing. Planned development within the District includes approximately 780,000 square feet of office and retail space as well as about 400 total apartment or townhome units. The petitioners have provided a substantial market study (dated December, 2016) which is attached.

City Charter section 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.

#### **Board/Commission Recommendation:**

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

#### **Stakeholder Process:**

N/A. The board of the District is currently controlled by developer representatives.

**Alternatives:**

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

**Proposed Motion:**

Adopt a resolution approving the issuance of debt by the Allison Valley Metropolitan District No. 1 in the form of a 2017A Limited Tax General Obligation Loan in an amount not to exceed \$10,000,000 and subordinate 2017B Limited Tax General Obligation Loan in an amount not to exceed \$6,500,000.

N/A