



## Legislation Text

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**File #:** 20-240, **Version:** 1

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A resolution approving a service plan allowing for the creation of the Reagan Ranch Metropolitan District Nos. 1-3.

(Legislative)

**Presenter:**

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**Summary:**

This service plan would allow the formation of the Reagan Ranch Metropolitan District Nos 1-3 ("Districts") to finance public improvements cost and provide services for a proposed development area located in the vicinity of the southeast corner of Marksheffel Road and State Highway 94 in the Banning Lewis Ranch Master Plan area.

This item was discussed by the City Council Budget Committee on June 9, 2020 with a follow-up presentation on June 23, 2020. The Budget Committee requested and was provided with District-specific maximum debt authorizations based in disaggregated and update public improvements cost estimates, as well as cost recovery. These discussions are further summarized below.

This agenda item was introduced at a July 13, 2020 City Council Work Session, at which time there we no additional comments or questions.

**Background:**

These proposed metropolitan districts would provide property tax-based public improvements financing and services for the proposed Reagan Ranch project in the west-central part of Banning Lewis Ranch. The overall proposed district area encompasses about 235 acres with approximately 133.6 acres proposed to be included initially, and another 101.8 acres identified as future inclusion areas. District No. 1 would encompass the initially developed northerly residential phase of this project. These future inclusion areas (former Powers Dairy) are not currently owned by the petitioner. However, the petitioner has represented that he has these properties under contract, and the purchase agreement includes a consent to incorporate the properties in this service plan.

The service plan does not request any direct deviations from the limitations in the City's current Special District Policy and Model Service Plans.

This would be a consolidated service plan with three (3) districts created, two for residential purpose and one with non-residential uses. Unlike with several multiple district structures created in the past, in this case there would not be a small operating district. District No. 1 would initially encompass the first residential phase of this development, located just south of State Highway 94. District No. 2 would also include residential uses with an initial boundary located at the southern end of the overall

proposed project area. District No. 3 would be the commercial district and would initially include properties in northwestern part of the overall proposed district area

The service plan allows a service mill levy cap of up to 30.0 mills Gallagher-adjusted back to 2006. Effectively, this limit would apply to District Nos. 1 and 2. District 3 would have a Gallagher-adjusted cap of 50.0 mills, provided that it does not contain residential uses. The maximum Gallagher-adjusted operations and maintenance mill levy will be 10.0 mill for all the districts.

Pursuant to the Special District Policy, all future district inclusions must be identified and presented with the initial petition and illustrated on Exhibit C-2 to the service plan. This service plan incorporates the former Powers Dairy property as future inclusion areas, with the residential portion proposed for eventual inclusion in District No. 2 and the commercial part as an inclusion in District No. 3.

The combined maximum debt authorization for these Districts could potentially be as high as \$136,000,000 based on preliminary engineering cost estimates specific to each of the three Districts, along with an estimate of costs for “regional” improvements that would benefit the larger project and would be proportioned among each of the individual Districts. The regional costs are anticipated to include two sewage lift stations, related force mains, major connections to Colorado Springs Utilities lines, improvement to Space Village Ave and certain demolition and remediation costs related to the former Powers Dairy property.

The service plan includes maximum authorizations for each of the Districts based on their initial inclusion areas along with higher ultimate maximums for District Nos. 2 and 3 in the event their future inclusions are completed. Altogether, the combined potentially eligible public improvements and related costs are estimated to be approximately \$126 Million.

Exhibit D of the service plan authorizes the Districts to perform ongoing operations and maintenance functions including covenant enforcement, parks and community center/swimming pool operations and maintenance, streetscapes, monumentation, public art and storm water facility ownership and maintenance. The Districts are also authorized to own or operate sewage lifts stations in the event these are constructed, and do not end owned or maintained by Colorado Springs Utilities.

Included as attachments are a clean copy of the most recent version of the service plan including exhibits, along with a “redline” showing insertions into the Model Service Plan.

Included in the Model Service Plan are findings from Section 32-1-203(2), Colorado Revised Statutes that need to be made in conjunction with approval of the Service Plan. In the case of this petition, a specific case could be made by the petitioners that, in the absence of these districts, the ongoing operations and maintenance of the project would be more challenging, and all of the contemplated public improvement amenities and services would not be provided or available. Although a detailed plan of development

This item was discussed at the June 9, 2020 City Council Budget Committee meeting, with a follow-up presentation and discussion occurring on June 23, 2020. On June 9<sup>th</sup> the Committee requested District-specific cost estimates and maximum debt authorizations, and had a variety of additional questions and comments, which were addressed in an attached supplemental transmittal letter dated June 19, 2020. On June 23<sup>rd</sup>, the Committee requested further information regarding the potential for and use of cost recovery proceeds, in the event bonds were to be issued related to these costs.

Categories of potentially eligible costs were also discussed, along with contingency percentages. These topics are addressed as part of subsequent correspondence from the petitioner's counsel dated July 1, 2020 and also attached.

Staff notes that Paragraph V.4 of the service plan specifically stipulates that the Districts are entitled to applicable cost recovery proceeds, and that these must be applied to related debt if it has been issued. At the request of the City Council Budget Committee, modified language has been added to Paragraph V.5 to further stipulate that applicable proceeds from other reimbursement agreements must also be allocated to previously issued debt.

Colorado Revised Statutes include four criteria for which an affirmative finding must be made in order to approve this service plan, along with five other criteria which may be considered. These are all included within the body of the City's Model Service Plans and this particular service plan. The four required criteria are as follows:

- There is sufficient existing and projected need for organized service in the area to be serviced by the Districts;
- The existing service in the area to be served by the Districts is inadequate for present and projected needs;
- The Districts are capable of providing economical and sufficient service to the area within its proposed boundaries; and
- The area to be included in the Districts does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.

The petitioner's attached supplemental correspondence, dated July 1, 2020, addresses these required criteria and findings.

It should be noted that as of writing of this memo, land use applications for this project have not yet been submitted by the petitioner/developer. Review of land use applications and formation of metropolitan districts are mutual exclusive. Although no formal land use applications have been filed, the developer has held a pre-application meeting with city staff and general utility and infrastructure requirements have been identified.

**Previous Council Action:**

This would be a new metropolitan district for this area and property. City Council has previously approved a metropolitan district service plan for the Banning Lewis Ranch Regional Metropolitan District which overlaps these proposed districts at this time, but for which an approved property exclusion action is pending final execution by the County Assessor.

This item is currently expected to be heard by Council at their July 28, 2020 meeting.

**Financial Implications:**

There are no direct implications to general City taxpayers and ratepayers outside of the boundaries of this District.

**Board/Commission Recommendation:**

**Stakeholder Process:**

The staff-level Special District Committee has been provided with the materials associated with this request. Comments or concerns from the Committee have been addressed in these documents.

**Alternatives:**

City Council has the options of approving or denying this service plan. Council could also approve the service plan with changes.

**Proposed Motion:** (for July 28, 2020)

Move to approve a resolution of the City of Colorado Springs approving a service plan allowing for the creation of the Reagan Ranch Metropolitan District Nos 1-3.

N/A