



Legislation Text

File #: 21-571, **Version:** 1

A resolution of the City Council of the City of Colorado Springs, Colorado approving the issuance of debt by the Reagan Ranch Metropolitan District No. 1 in the form of General Obligation Limited Tax Bonds in an aggregate amount not to exceed \$18,200,000 located northeast of the Colorado Springs Airport in the Banning Lewis Ranch Master Plan Area.

(Legislative)

Presenter:

Carl Schueler, Comprehensive Planning Manager, Planning & Community Development Department
Peter Wysocki, Director of Planning and Community Development

Summary:

This is a request to approve issuance of formal debt by the Reagan Ranch Metropolitan District in an approximate aggregate amount of \$16,575,000 and not to exceed \$18,200,000 in the form of General Obligation Limited Tax Bonds, Series 2021A(3) to be repaid from a combination of property tax, associated revenues and facility fees. 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 this issuance will be used to reimburse eligible public improvements costs. The bonds are anticipated to be tax-exempt, externally marketed and to carry an average interest rate of 5.25%.

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 September 28, 2021 City Council Budget Committee meeting. There were no requests for changes or additional information.

Note: The preceding item on today's agenda is related to this item. It would amend the service plan for these districts to have District No. 1 function as the only residential district, and would reallocate maximum debt limits among District Nos. 1, 2 and 3. Please refer to the PowerPoint included with the prior agenda item.

Background:

The Reagan Ranch Metropolitan District Nos. 1-3 were originally created in 2020 and are intended to provide financing and a source of reimbursement for qualifying public improvements within this development. This project is located within the Banning Lewis Ranch Master Plan and is in the development approval stage. A total of about 592 dwelling units and about 300,000 square feet of non-residential space are anticipated at buildout of the phases of the project expected to support this debt. The revenue models these phases to be completed around the 2026 timeframe.

The bonds would be unrated and marketed with an expected total interest rate of 5.25% (average coupon rate).

The bonds have a term of 30 years, with an anticipated maturity date of 2051.

The anticipated par amount of the bonds is \$16,575,000. The District's draft bond resolution includes a "not-to-exceed" cap of \$18,200,000. This limit is incorporated within the draft City Council resolution.

The debt service mill levy available to service these bonds is limited to a "Gallagher adjusted" 30 mills (along with associated specific ownership tax). The first mill levies will be certified later this year for collection beginning in 2022.

This will be the first issuance of debt by this District. The current service plan includes a maximum debt authorization of \$51,000,000, and the amendment would raise this to \$65,000,000.

These Series 2021 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 call date is December 31, 2026.

Financial projections are attached along with a summary of the public improvements costs to be reimbursed from the bond proceeds available for the project fund. The proceeds of the project fund would be used to reimburse recent public improvement-related expenditures as well as to provide a source of funding for future near-term costs.

The City Council Budget Committee discussed this request at their September 28, 2021 meeting.

Included as attachments are the following documents:

- Draft Council resolution
- District bond resolution
- Draft indenture
- Draft pledge agreement from District No. 2
- Financial revenue model
- Draft opinions from District general counsel and bond counsel
- Summaries of anticipated public improvements costs by district

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.

Board/Commission Recommendation:

N/A

Stakeholder Process:

The staff-level Special District Committee has been provided with the 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.

Previous Council Action:

City Council approved a consolidated service plan for the Reagan Ranch Metropolitan District (Resolution 70-20), on August 25, 2020.

Alternatives:

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

Proposed Motion:

A resolution of the City Council of the City of Colorado Springs, Colorado approving the issuance of debt by the Reagan Ranch Metropolitan District No. 1 in the form of General Obligation Limited Tax Bonds in an aggregate amount not to exceed \$18,200,000.

N/A