City Hall
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Legislation Text

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A Resolution authorizing issuance of debt by the Tuscan Foothills Village Metropolitan District in the form of Limited Tax General Obligation Convertible Capital Appreciation Bonds in an aggregate principal amount of $1,100,000.

(Legislative Item)

Presenter:

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

Summary:

This is a request to authorize issuance of debt by the Tuscan Foothills Village Metropolitan District (“District”) in the form of Limited Tax General Obligation Convertible Capital Appreciation Series 2019 bonds in an amount not to exceed $1,100,000 in maximum debt authorization. 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.

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 item was presented at the August 13, 2019 City Council Budget Committee meeting, and introduced at the September 9, 2019 Council Work Session.

At the Work Session there was limited discussion, and there were no requests for follow-up information. Councilman Knight noted his previously articulated concerns with this item.

Previous Council Action:

The District was established by election in November of 2016, following approval by Council of a service plan at a special meeting on September 27, 2016 (5-3 vote with 1 member excused). (Resolution No. 97-16). This followed a series of actions at prior hearing including an original denial and a reconsideration. On January 9, 2018, Council approved an additional inclusion of property into this District (6-3 vote).

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 plan and the Special District Policy require City Council approval of all formal debt. The standard of review of the bond/loan documents is consistency with the service plan.

The Tuscan Foothills Metropolitan District is limited to a small residential development located off of Centennial Boulevard in the northwest area of the City. Public improvements expenditures to be reimbursed from these bonds are associated with a combination of costs described in a detailed attachment.

The form of the proposed bond resolution is attached. This debt will be in the form of bonds that are intended to be marketed to third parties and repaid by a mill levy that will not exceed 30 mills per year, Gallagher-adjusted, along with associated specific ownership tax. The initial principal amount of the bonds is proposed to be $1,098,274 with an interest rate anticipated to be in the range of 5.5 to 6% and a term of approximately 30 years. The service plan for this District authorizes up to $1,100,000 in total debt. The usable proceeds of the issuance are expected to be approximately $850,000. This will be the first and presumably only new money debt issuance by this District.

The bond proceeds would be used to reimburse prior eligible public improvement costs associated with properties within this District. Project and cost information is attached. Also attached is a financial forecast.

The bond documents include “limited default language” to the effect that the bonds will not default as long as the capped mill levy and associated specific ownership taxes are pledged toward repayment. Moreover, this bond is structured such that interest is expected to accrue in the early years of the 30-year term. The bond will be structured to have an optional redemption after a prescribed date, meaning a future resident board of directors would have this option if financial conditions were favorable at any time after that date.

An opinion that the proposed issuance will be consistent with the service plan and applicable Federal and State requirements has been provided.

The attached draft City Council resolution has an added provision requiring the closing of these bonds to occur within one year of City Council approval. The bond documents have been evaluated with the intent to mitigate any concerns with the potential for “end user” capital debt service fees which are not allowable in approved service plan.

This agenda item was discussed at the August 13, 2019 City Council Budget Committee. At this meeting the applicants verified that their intent was to market these bonds to third parties rather than privately place them as previously anticipated. The Committee asked clarifying questions on the expected interest rate, amount of usable proceeds, ideas for when the district board could turn over to resident control and opportunities for early bond redemption.

This item has been scheduled for today’s hearing in order to for the full membership of Council to vote.

Financial Implications:

Pursuant to the service plan, the City Special District Policy, the notes and the bond documents themselves, 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.

The bond documents and notes 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. The maximum capped mill levy and other provisions of the bond provide a basis for this decision.

Board/Commission Recommendation:
The City's staff-level Special District Committee has been provided copies of these materials and has provided no additional comments.

Stakeholder Process:
N/A

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

Proposed Motion:
Adopt a resolution authorizing issuance of debt by the Tuscan Foothills Village Metropolitan District in the form of limited tax general obligation convertible capital appreciation bonds, Series 2019 in the aggregate principal amount of 1,100,000.

N/A