



Legislation Text

File #: 21-652, **Version:** 1

A resolution of the City of Colorado Springs, Colorado approving the issuance of tax supported and special revenue bonds by the Creekwalk Marketplace Business Improvement District in an amount not to exceed \$16,500,000 for a project located at the South Nevada Avenue corridor.

(Legislative Item)

Presenter:

Carl Schueler, Comprehensive Planning Manager, Planning & Community Development

Peter Wysocki, Planning and Community Development Director

Summary:

This is a request to approve issuance of debt by the Creekwalk Marketplace Business improvement District ("District") in the form of Series A and Series B 2021 bonds, to be repaid from a combination of limited property tax, public improvement fee (PIF) and property and sales tax increment financing (TIF) revenues. The Series A bonds will be in a principal amount not to exceed \$13,200,000 and the subordinate Series B bonds will be in the approximate principal amount of \$3,330,000. The Series A bonds are anticipated to have an interest rate of 5.00 to 5.75%, and the Series B bonds would have a rate of 8.00%. 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 Section 7-100.

This BID is located in City Council District No. 3.

This item was presented to the City Council Budget Committee on October 26, 2021.

Background:

BIDs are created under Colorado Statute and City Policy to finance and/or maintain certain public improvements in non-residential areas, utilizing a property tax mill levy as the revenue source. BIDs are separate legal entities from the City, but their Operating Plans and the Special District Policy require City Council approval of all formal BID debt. The standard of review of the debt instruments is consistency with the Operating Plan and all applicable laws. The District's original 2016 Operating Plan and Budget and subsequent annually-approved Operating Plan and Budget stipulate a maximum of \$50,000,000 in indebtedness unless the District obtains City Council's approval of an amendment to the Operating Plan.

This BID is authorized to levy up to 50.0 mills for debt service, and 10.0 mills for operational purposes. The full debt service mill levy is currently in place for properties within this BID. At this

time, the BID only levies 1.0 mill for operations. This will be the second issuance of debt by this District.

The issuance of this debt is generally anticipated in the 2021 and 2022 Operating Plans and Budgets for this BID.

The draft forms of the bonds are attached. This debt is anticipated to be in the form of bonds that have are third party in nature but have been negotiated with the current 2019 bond holder (Goldman Sachs). The issuance is being separated in two bonds in order to enhance the revenue "coverage ratio" for the Series A Bonds, while maximizing the total amount of debt that can be issued at this time. The Series A Bonds will have an anticipated interest rate of approximately 5 to 5.75%, with subordinate Series B Bonds having an anticipated interest rate of 8.00% (actual rates will be determined after marketing and closing on the bonds). The bond documents allow for a 50-mill debt service cap, which is equal to the City Council- authorized maximum cap. A PIF of 2.5% will also be pledged as revenue to service this debt, along with urban renewal area sales tax TIF (tax increment financing) revenues of 2.0% (assuming approval of an amendment of the current Urban Renewal Authority cooperation agreement).

The term of these bonds will be 30 years. The improvements to be financed have been selected from among a larger list of costs determined by the District to be eligible for reimbursement and are summarized in an attachment. These costs predominantly consist of parking, street, sidewalks and curb, street lights, landscaping, pavement, and water line improvements. In determining eligibility of public improvements for reimbursement, it is noted that a cooperation agreement is place which requires, giving the Urban Renewal Board authority to sign off on each requisition. Furthermore, there is funding priority established by this agreement whereby, payments must first be allocated to widening of Cheyenne Road, Nevada Avenue eastside landscaping and utility undergrounding. Documentation recently provided by the District identifies substantial public parking improvements as part of the package. BID representatives have stated that these would pertain to surface parking lot facilities to include land acquisition costs.

In 2019, this BID issued Series A bonds in the amount of \$24,230,000 and Series B bonds in the amount of \$2,500,000. The 2021 bonds will be at parity with the corresponding 2019 bonds. The 2021 issuance is contingent on the completion of the most recent 2021 property inclusions, as well on Council approval of the amended Cooperation Agreement.

At this time the 2019 A and B bonds cannot be refinanced (and included in this issuance) because of call provisions that extend out 3 more years. These 2021 A and B bonds will by synched up with the 2019 bond, with all bonds having an optional call date of-----.

Financial Implications:

Pursuant to the District's operating 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. City Charter Section 7-100 provides that the total debt of any special district may not exceed ten percent (10%) of the total assessed valuation of the taxable property within the district unless such debt is approved by at least a two-thirds vote of the entire Council.

The bond documents are structured so that any risk beyond the maximum capped mill levy, the

associated specific ownership tax as well as the TIF and PIF requirements, will not accrue to the property owners.

Board/Commission Recommendation:

The City's staff-level Special District Committee has been provided copies of these materials. All comments received have been in support and/or with no stated concerns.

This item was presented to the City Council Budget Committee on October 26, 2021. The Committee asked a number of clarifying questions, including on background as to the inability of refinance the 2019 bonds at this time.

Because there is an overlapping urban renewal area and a pledge of tax increment financing (TIF) revenues, the Urban Renewal Authority Board has been involved in this process. In 2019 this Board took action to approve the urban renewal TIF pledge subject to the provisions of their cooperation agreement and with the further understanding that the funding of the priority projects subject to that agreement will be funded in total in the event revenues were less than anticipated (for example in the case of a property exclusion). In the Fall of 2021, the Urban Renewal Authority Board endorsed recommended changes to the cooperation agreement regarding the amount of the sales tax pledge.

Stakeholder Process:

N/A

Alternatives:

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

Previous Council Action:

The BID was established pursuant to Ordinance 16-18 adopted by Council on February 23, 2016, which Ordinance approved the initial operating plan and budget ("Operating Plan") for the BID. An additional Council- approved an inclusion of property occurred on September 26, 2017 (Ordinance 17-87). On February 27, 2018 City Council approved an Ordinance 18-10 including more property into this BID. The most recent inclusions of property were approved by Council on March 26, 2019 (Ordinance 19-19). On May 14, 2019 Council authorized an issuance of debt by this district (Resolution 19). That debt includes pledges from a public improvement fee (PIF) and an overlying urban renewal area.

The BID's Operating Plan has been approved annually since that time in accordance with Section 31-25-1211, C.R.S., and most recently in October of 2021.

Proposed Motion: (for November 23, 2021)

Adopt resolution of the City of Colorado Springs, Colorado approving the issuance of tax supported and special revenue bonds by the Creekwalk Marketplace Business Improvement District.