



## Legislation Text

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A Resolution of the City Council of Colorado Springs, Colorado Approving the Proposed 2023 Operating Plan and Budget for the TrueNorth Commons Business Improvement District

**Presenter:**

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**Summary:**

The TrueNorth Commons Business Improvement District (BID) is a legal entity separate from the City of Colorado Springs. However, as required by State statute, it is necessary for City Council to review and approve the proposed 2023 Operating Plan and Budget for the BID.

The Operating Plan and Budget for this BID anticipates no changes from the prior year related to mill levies, additional debt issuances or boundary changes, however, the District does have two Board vacancies that they anticipate filling in 2023. The District Anticipates continuing construction activities in connection with Public Improvements in 2023.

The BID provided a revised Operating Plan and Budget to include the District Map in Exhibit C which had been inadvertently left out previously, and to fix the Developer Advance balance in the Schedule of Long Term Obligations in the Budget Summary of Significant Assumptions.

**Background:**

The District was organized in 2018, a special election for the District, consisting of debt and related issues and questions was held on November 6, 2018. The boundaries of this development-specific BID were established initially to include 1.705 acres in the Briargate area that are located within the boundaries of the City. The actual project site was subsequently annexed into the boundaries of the City in March 2019, and included in this BID, after which the original property was excluded. This BID has a 5-member elected board comprised of individuals associated with this redevelopment project, however, currently has two vacancies they anticipate filling in 2023.

The District's primary purpose continues to be to provide for the financing, acquisition, construction, completion, installation, replacement and/or operation and maintenance of the services necessary to support the development of a 36.1-acre commercial mixed-use development located near the north entrance to the United States Air Force Academy. The Project is located on property owned by the United States Air Force (USAF) that will be developed through a long-term lease arrangement with the USAF as part of the USAF's Enhanced Use Leasing Project.

The 2023 Operating Plans continues to permit the BID to enter into an advance and reimbursement agreement with the Developer for the purpose of facilitating the funding of the District's design, planning and development of infrastructure that will enable the Developer to offer the project to prospective tenants, and to enable the District to function operationally on its own. The District

entered into a Facilities Funding and Acquisition Agreement (FFAA) to repay advances or costs incurred by the Developer for capital infrastructure costs. The District has agreed to repay the Developer for such advances at the rate of 8.00%. Pre-development costs associated with the reimbursement agreement amount to approximately \$5.4M as of September 15, 2022. It is anticipated that these costs will be reimbursed through a future bond issuance of the District. Staff notes that reimbursement agreements do represent financial obligations, but do not constitute formal debt. Therefore, in the event the project ended up not going forward, there effectively would be no obligation to the District or to any affected taxpayers.

This Operating Plan and Budget is provided in a format consistent with the standard template approved by Council in August 2022 for these documents.

**Previous Council Action:**

City Council approved creation of this BID in 2018 (Ordinance No. 18-77). In March 2019 Council approved the annexation of area known as USAFA Annexation Addition No. 1 and No. 2 (Ordinance 19-16 and 19-17). Council approved an urban renewal plan for this project site on July 9, 2019 by Resolution No. 61-19. Council approved separate ordinances to include and exclude property into this BID in 2019 (Ordinance No. 19-70 and 19-71 respectively).

On October 22, 2019 City Council approved issuance of debt of up to \$80,000,000 (Resolution No. 103-19). Due to unforeseen circumstances resulting from the coronavirus pandemic, the District was unable to close on bond issuances that had been approved by Council in early 2020. As a result, the District requested and City Council granted an extension until December 31, 2021 to issue the bonds, and an increase to the debt issuance limit to \$90,000,000 (Resolution No. 18-21). In February 2021 City Council approved, via motion, an Amended 2021 Operating Plan incorporating, among other things, the debt issuance extension and increased debt limit.

In April 2022 City Council approved a name change for this BID from United States Air Force Academy Visitor's Center Business Improvement District to TrueNorth Commons Business Improvement District (Ordinance No. 22-21).

This Operating Plan and Budget item was also introduced in a City Council Work Session on October 10, 2022.

**Financial Implications:**

In January 2022, the District issued \$7,695,000 in Series 2022A Special Revenue Bonds, \$54,370,000 in Series 2022B Taxable Special Revenue Bonds, and \$24,275,000 in Series 2022C Subordinate Special Revenue Bonds. The Bonds are special limited obligations of the District secured by and payable from the pledged revenues, consisting of revenues attributable to privately imposed public improvement fees payable with respect to certain retail sales transactions and construction activities occurring within the development, and revenues generated from the commercial and residential facilities fees imposed by Sample District. The Series 2022A Bonds of \$7,695,000 are term bonds due December 1, 2052, at an interest rate of 5.00%. The Series 2006B Bonds are term bonds maturing as follows: \$3,000,000 due December 1, 2029, at an interest rate of 6.00%, \$26,370,000 due December 1, 2042 at an interest rate of 6.75%, and \$25,000,000 due December 1, 2052 at an interest rate of 7.00%. The Series 2022C Bonds of \$24,275,000 are term bonds due December 15, 2052, at an interest rate of 7.75%.

The District estimates an outstanding developer advance balance of \$115,183 at the end of 2022, which accrues interest at a rate of 7%. As of December 31, 2022, the accrued interest on the developer advance balance is estimated to be \$20,494. The 2023 budget includes a \$110,000 developer advance to fund operating expenditures.

This Operating Plan anticipates that the District will impose a debt service mill levy of 50 mills and an operation and maintenance mill levy of 10 mills to support the District beginning in 2022 for collection in 2023, however, the District does not expect to receive any revenue associated with the mill levy in 2023. In addition, it is anticipated that the District will facilitate the imposition of public improvement fees (PIFs) on all taxable sales, lodging, and motor fuel sales within the project to fund the District's debt service, operation and maintenance obligations, and to perform the obligations under the Enhanced Use Lease (EUL) that are assumed by the District. Based on the 2023 Operating Plan and Budget the amounts of these PIFs are expected to be 3.0% for retail and service sales, 2.0% for lodging, and 2.50% on motor fuel sales . The 2023 budget includes \$301,085 in anticipated PIF revenue.

As a separate legal entity, the financial activities of the BID are separate from those of the City. Any financial obligations are specifically associated with the properties within the BID boundaries and do not constitute an obligation of the City.

**City Council Appointed Board/Commission/Committee Recommendation:**

The BID Board of Directors recommends City Council's approval of the 2023 Operating Plan and Budget.

**Stakeholder Process:**

N/A

**Alternatives:**

N/A

**Proposed Motion:**

Move to approve the Resolution approving the proposed 2023 Operating Plan and Budget for the TrueNorth Business Improvement District.

N/A