



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 Park Union Business Improvement District

Presenter:

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Summary:

The Park Union 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 additional public improvements activity, corresponding draws and reimbursements from the proceeds of the bonds authorized in 2020, and the potential issuance of additional debt up to the authorized amount not to exceed \$50,000,000, the BID has until February 11, 2024, to issue debt under Res. 20-10. In 2023, an additional draw of \$3,000,000 on the Series 2020A bonds is anticipated.

Background:

The initial boundaries of this BID were established pursuant to an election in 2017 and additional properties were added to the District in 2019. Currently, the boundaries of this BID overlap with those of two associated metropolitan districts. Over time, as this project develops, it is expected that any particular property will only be included in one of the three districts, with non-residential properties in the BID, and residential properties in one of the metropolitan districts. In some cases, these future exclusions and inclusions may be specific to separate floors of buildings that are devoted to eligible residential or non-residential uses.

The District has a 5-member board elected by the eligible electors of the District as provided by law. The District is authorized to provide the acquisition of improvements, construction of improvements, operation and maintenance of parking facilities, roadways, lighting, driveways, public utilities, and landscaping.

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

The District anticipates funding the design, installation, or acquisition of public improvements during 2023 as required to support development within the District.

Previous Council Action:

City Council originally approved formation of this BID as the SW Downtown Business Improvement District in 2017 (Ordinance No. 17-94) and approved a name change to the Park Union Business Improvement District in 2021 (Ordinance No. 21-88). On the same date in 2017, Council also approved a service plan allowing creation of Southwest Downtown Metropolitan District Nos. 1 and 2. Council approved an ordinance to include additional property into this BID on May 14, 2019 (Ordinance No. 19-26).

On February 11, 2020 Council approved an initial issuance of debt in principal amount of approximately \$28,275,000 as Series 2020A and approved future debt issuance of a combined aggregate principal amount of the Series 2020A and subsequently issued bonds not to exceed \$50,000,000 (Resolution No. 10-20). In June 2020 the District issued \$30,500,000 in Series 2020A bonds, the balance of the aggregate sum authorized by City Council for subsequently issued bonds is \$19,500,000 and must be issued on or before February 11, 2024 (4 years after the date of the Resolution). In addition, not less than thirty (30) days prior to any subsequent issuance of bonds for the balance of the aggregate sum authorized, the District shall provide detailed information and an informational update to the City Council. As presented in the 2023 Operating Plan, this BID contemplates the possible issuance of additional Limited Tax Supported and Special Revenue Bonds, up to the authorized amount, if and when needed to provide additional public improvements.

This item was introduced in a City Council Work Session on October 10, 2022. Council had no comments or questions that were uniquely pertinent to this Operating Plan and Budget.

Financial Implications:

In June 2020 the District issued Series 2020A Limited Tax Supported and Special Revenue Senior Bonds in the par amount of \$30,500,00. The bonds bear an interest rate of 8% and are subject to optional redemption any time and subject to mandatory redemption on October 15th each year. As described in the 2023 Operating Plan, the District will annually review the interest rates on its bonds regarding market interest rate and evaluate possibilities to refund such bonds to the extent allowed, pursuant to the bond documents. The bonds were issued on a “drawdown” basis so that advances can be made in multiple installments, the initial drawdown was for \$15,500,000, and the minimum drawdown amount is \$1,000,000, except for the last drawdown. As of June 30, 2022, the total draws were in the amount of \$26,500,000 and the District anticipates drawing an additional \$3,000,000 during 2023. The bonds are structured as “cash flow” bonds, meaning that no regularly scheduled payments of principal are due on the bonds prior to their maturity date of December 1, 2049. Instead, interest on the bonds is payable on June 1 and December 1, and payments on the principal are payable on December 1 pursuant to a mandatory redemption from available Pledged Revenue, if any. The bonds will be repaid from a combination of limited BID property tax, specific ownership tax along with property and sales/use tax increment financing (TIF) revenues from the overlying urban renewal area. In addition, property taxes from the two related metropolitan districts in the area will be pledged as revenues.

The proposed operational mill levy for the BID in 2023 is 25.000 mills (5.000 mills for operational expenses and 20.000 for debt service), this mill levy is unchanged from 2022. This District will also receive tax increment financing (TIF) generated from the Districts projects to be used toward the repayment of the District’s bonds and capital improvements. For 2023, \$70,000, in CSURA TIF Revenues are projected. This BID has a public improvement fee (PIF) in place for 2.0% for retail sales, 4% for lodging, and 1% for construction activities. The PIF revenue is not pledged to bonds, therefore the 2023 PIF revenue of \$84,000 is budgeted in the General Fund to be used to support

public improvement construction and maintenance.

The District also has entered into an Inter-District Intergovernmental Agreement with SW Downtown Metropolitan Districts Nos. 1 & 2 whereby the District is responsible for the development and operation of all public improvements and the two Metropolitan Districts will assign revenue to offset the expenses incurred by the District. For 2023, \$101,519, is projected in intergovernmental revenue.

The District may enter into additional agreements for landscaping, parking facility operation and maintenance, and security to enhance the area within the District as described in the Redevelopment Agreement with the City dated February 11, 2020.

The District estimates an outstanding developer advance balance of \$818,789 at the end of 2022, which accrues interest at a rate of 6% for operations and 8% for capital advances. As of December 31, 2022, the accrued interest on the developer advance balance is estimated to be \$664,955. The 2023 budget includes developer advances for operations of \$80,000.

As a separate legal entity, the financial activities of the BID are separate from those of the City. Its financial obligations are specific to the properties included in the BID 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 Park Union Colorado Springs Business Improvement District.

N/A