



Legislation Text

File #: 18-0327, **Version:** 1

A Resolution authorizing issuance of debt by the Powers Metropolitan District in the form of general obligation limited tax bonds in the estimated aggregate principal amount of \$3,380,000.

(Legislative Item)

Presenter:

Carl Schueler, Comprehensive Planning Manager, Planning and Community Development

Summary:

This is a request to authorize issuance of debt by the Powers Metropolitan District ("District") in the form of general obligation limited tax Series 2018 bonds in an amount not to exceed \$3,380,000 in 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 14, 2018 City Council Budget Committee meeting, as discussed below, and was introduced at a Council Work Session on September 10, 2018.

Previous Council Action:

The District was established by election in May 2008, following approval by Council of a service plan on February 12th of that year (Resolution No. 33-08).

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 Powers Metropolitan District consists of about 50 acres located at the southwest corner of Barnes Road and Powers Boulevard, and includes but is not limited to the Powers Pointe Shopping Center. Public improvements expenditures to be reimbursed are associated with the Powers Pointe Shopping center in the northern part of the District as well as the existing commercial development in the southern area of the District. Properties in the central area of the district are undeveloped and currently owned by a non-profit (UCHealth). Public improvement specific to this property are anticipated to be directly funded by UCHealth. If not, additional District bonding could be supported by a PILOT (payment in lieu of taxes) agreement.

The proposed bond indenture is attached. This debt will be in the form of "2018 Bonds" that will be

repaid by a mill levy that will not exceed 50 mills per year. The principal amount if the bond is proposed to be \$3,380,000, with a target mill levy of 40.0 mills, a projected interest rate of 5.75% and a term of 30 years. The service plan for this District authorizes up to \$40,000,000 in total debt. This is the first debt issuance by this District.

The bond proceeds would be used to reimburse prior eligible public improvement costs associated with properties within this District, both related to the Powers Pointe Shopping Center and to the south. Project and cost information is attached. Also attached is a financial forecast.

Prior to closing on this loan a formal opinion will be provided from the District's bond counsel that the proposed issuance will be consistent with the service plan and applicable Federal and State requirements. A draft opinion has been provided at this time.

The attached draft City Council resolution has an added provision requiring the closing of this loan 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, even though this issue is not explicitly addressed in the approved service plan.

This agenda item was briefly discussed at the August 14, 2018 City Council Budget Committee. Members asked clarifying questions and there were no outstanding discussion topics or concerns.

At the Council Work Session introducing this item, it was noted that the total amount of the bond was expected to be reduced because one anticipated road improvement cost item has not been determined to be eligible. Additionally it, was reported that related specific ownership tax will no longer be pledged along with the debt service mill levy. Update documents are now attached to reflect these changes.

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. Although there is some potential for upward movement in the interest rate, there are maximum caps, and in any case the maximum exposure to property owners is limited to the debt service levy of 50.0 mills, Gallagher adjusted.

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 in 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 loan agreement provide a basis for this decision.

This request was presented to the City Council Budget Committee on August 14, 2018. Those Committee members present asked clarifying questions including about the location of improvements proposed to be financed.

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 stated no concerns.

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 Powers Metropolitan District in the form of general obligation limited tax bonds, Series 2018 in the estimated aggregate principal amount of \$3,380,000.

N/A