



Legislation Text

File #: 17-1295, **Version:** 1

Resolution approving an amendment to the Service Plan for the Flying Horse Metropolitan District Nos. 1-3.

Presenter:

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Summary:

This service plan amendment would allow the Flying Horse Metropolitan District Nos. 1-3 to increase their total combined property tax mill levy from 35.0 to 40.0 mills with operational mill levy of up to 10.0 mills and a debt service mill levy of up to 30.0 mills. The current (2004) service plan limits the combined mill levy to 35.0 mills which is less than now allowed under the 2006 Special District Policy. The increase would be applicable to all properties in Districts 2 and 3, including properties currently owned by individual resident property owners.

Previous Council Action:

City Council approved a consolidated service plan for the Flying Horse Metropolitan Districts (Resolution 184-04). On April 28, 2005 City Council authorized issuance of a total of \$37.53 Million in debt in the form of a total of four issuances among the three districts (Resolutions No. 82, 83 and 84-05) On September 9, 2008, Council authorized refunding and improvement bonds for District No. 2 in an amount not to exceed \$25,000,000 (Resolution No. 160-08). This 2008 issuance did not occur due to the economic downturn. In 2013 City Council authorized the issuance of up to \$23,085,000 in bonds by District No. 2 (Resolution No. 61-13).

This item was introduced to Council at a work session on November 13, 2018. It has been scheduled for this regular meeting in order to meet statutory notice requirements. A City Council Budget Committee meeting regarding this request has been scheduled for December 5, 2017.

Background:

The Flying Horse Metropolitan Districts provide financing and a source of reimbursement for qualifying public improvements within the Flying Horse Ranch. District No. 1 is the small developer-controlled operating district. District No. 2 is the residential district and District No. 3 is the commercial district. The Districts provide significant ongoing ownership and operational functions within this development including maintaining parks, entry features, and streetscape landscaping. Future improvements are anticipated to add to these operations and maintenance requirements (e.g. additional parks, streetscapes).

Flying Horse Ranch currently has about 1,300 homes constructed, with on the order of 600 more projected. Depending on the development economy, Flying Horse Ranch projects will be fully absorbed in the residential area in about 4-7 years. Commercial absorption has been less and slower than expected, and therefore will take longer.

These districts were created in 2004, which was prior to the current Special District Policy which expanded and standardized the recommended allowance for mill levy caps. Of the Districts' existing 35 mills, 30 are obligated for existing debt service, leaving only 5 for operations and maintenance.

Although this amendment would simply bring these districts into consistency with most other metropolitan districts in the newer developing areas of the City, what makes this situation unique is the fact that there are numerous current residents and property owners in the Districts that essentially "bought in" based on the prior lower mill levy caps. The Districts represent that the original TABOR vote at the time of the creation of these districts did not constrain the allowable mill levies, and only limited the overall allowable revenue limit. Therefore, no District-wide election is required to increase the mill levy now. As further described below, the District held an advertised meeting on November 2, 2017 to discuss their plans with area owners and residents.

The Districts and the developer have provided an accounting of the ongoing imbalance between revenues and costs for these metropolitan districts. They have also provided a map showing the extent of property owned and operated by the Districts. In addition to entry features and streetscapes, the Districts maintain 3 parks, with one more expected to be added. The allowable 5 mills for operations and maintenance are currently not sufficient to cover ongoing costs of maintaining these properties which include the parks. Because non-residential uses generate greater property taxes on a per value basis (due to the Gallagher Amendment) slower-than-expected commercial absorption has exacerbated the current shortfall. Since 2004, the Districts have accumulated over \$3,000,000 in operating advances from the developer. As Flying Horse Ranch continues to develop, some additional properties and features are planned to be added. At the same time, the assessed valuation (AV) should increase. Additionally, commercial development, which typically lags residential development (and has in this case), can be expected to contribute proportionately greater AV in the future. Therefore, several years from now, the "curves are projected to cross," for revenues versus costs. At that time, the District boards could decide to shift revenues to pay back some of the developer advances, enhance ongoing service or capitalized maintenance, and/or reduce the mill levy.

Alternatives to not increasing this mill levy would presumably include some combination of forgone developer reimbursements, new or increased District fees for services, a possible shifting of responsibilities to other entities such as HOAs (with their fees or assessments), or a reduction in service levels. As this development matures, the option of continuing to rely on operational subsidies will become infeasible.

Procedurally, this amendment would be processed in the form of a limited amendment document to be adopted by resolution. The resolution would refer to the original 2004 service plan that would remain in force and effect except as specifically amended by the new document. The other option would be to provide an entirely new "amended and restated service plan" that would supersede the existing document. This approach has been identified as problematic by the petitioners as it would add complexity to the court approval process for this change, and would be more complicated to explain to the existing property owners.

Financial Implications:

There are no direct financial implications to the City. However, the total property tax for the affected properties would increase by 5 mills.

Board/Commission Recommendation:

N/A

Stakeholder Process:

The staff-level Special District Committee has been provided with the materials associated with this request. As of the date of this staff report, there have been no comments or questions from the Committee on this request.

As noted above, the District have held an informational meeting for existing property owners in the Districts on November 2, 2017 at Discovery Canyon Middle School. Approximately 20 resident homeowners attended. The District and developer presented a primer on metropolitan districts and then explained their case using a PowerPoint and handout. There were a variety of questions both directly on point to the issue and more generally related to various aspects of the Flying Horse Ranch development.

Prior to this hearing, the District has mailed notice to all district property owners and have represented that e-mail notice has been provided to about 1,300 owners. A copy of the mailed notice is attached. As of the date of this staff report one formal e-mail response has been received by the City. This is included as an attachment.

Subsequent to the November 13, 2018 introduction of this item in a work session, a December 5, 2017 meeting of the City Council Budget Committee has been held. Attendees included Councilors Strand, Pico, Geislinger, and Murray as well as Mr. Russ Dykstra and Mr. Doug Stimple representing the Districts and the developer. Committee chair Don Knight was unable to attend. At this meeting the details of the District-owned facilities, obligations, background, the outreach efforts to property owners and the limitations associated with other options, were all discussed. Members generally noted a satisfaction with the information and justifications, but did note the policy importance of authorizing an increase in tax rates for resident property owners. A more detailed summary of that meeting will be provided at this hearing.

Alternatives:

City Council has the options of approving or denying this service plan amendment. Council could also continue the item with specific direction provided to staff and the petitioners.

Proposed Motion:

Move to adopt a resolution approving an amendment to the Service Plan for the Flying Horse Metropolitan District Nos. 1-3.

N/A