



Legislation Text

File #: 20-661, **Version:** 1

Resolution Authorizing the Patriot Park Metropolitan District No. 2 to Issue Series 2021 General Obligation Limited Tax Bonds in an Aggregate Principal Amount Not to Exceed \$3,250,000.

(Legislative)

Presenter:

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Summary:

This is a request to approve issuance of formal debt in an aggregate principal amount of up to \$3,250,000 by the Patriot Park Metropolitan District No. 2 (“District”) in the form of a marketed tax-exempt bond issue to reimburse public improvements and related costs for this largely completed residential project. The City’s Special District Policy and the District’s approved service plan require that City Council’s approval be obtained prior to issuing any debt.

This request was introduced at a December 7, 2020 Council Work Session, at which there were no requests for additional information.

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.

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 plans and the City’s Special District Policy require City Council approval of all formal debt. The standard of review of the debt instruments is consistency with the service plan and all applicable laws.

Patriot Park Metropolitan District No. 2 is part of consolidated service plan for two metropolitan districts. District No. 1 is the non-residential district, and its property taxes will not be pledged toward this debt.

The proposed Series 2021 bonds are anticipated to be non-taxable and marketed to third parties. The interest rate for these bonds is expected to be about 4.75%, subject to pricing in conjunction with closing. The term of the bonds is expected to be 30 years. Pursuant to the Service Plan and the Special District Policy, because this District is residential, a debt service mill levy cannot be in place for more than forty (40) years in any case. Therefore, the bond documents and the draft City

resolution establish a maximum Year 2058 discharge date for these bonds. The bonds have a Year 2026 call date, meaning a then resident-controlled board would have the option of refunding them in the event terms were favorable.

Pledged revenues for each bond issue will continue to include the maximum capped debt service mill levy of 30.000 mills along with associated specific ownership taxes. The current Gallagher adjusted debt service mill levy is 33.398 mills.

The improvements cost that will be financed by these bonds generally consisted of streets, sidewalks, water, sewer, storm sewer and park/trail improvements, along with related soft costs.

Council's role is to approve the "form" of the debt subject to minor changes (e.g. final interest rates, and some final wording) that will occur prior to actual closing.

The attached resolution has a standard provision requiring the closing on these bonds to occur within one year of City Council approval.

Attachments include the following:

- Draft City Council Resolution
- Transmittal letter from District
- Term Sheet
- Financial projections
- Draft statement of Indenture
- List of improvements costs and related exhibit
- Draft compliance letters from District and bond counsels

This item was considered by the City Council Budget Committee on November 24, 2020. The Committee had no requests for additional information.

Previous Council Action:

The Patriot Park Metropolitan Districts No. 1 and 2 ("Districts") were established by election in November 2018, following approval by Council of an initial service plan in that year (Resolution No. 28-18) on April 10, 2018.

Financial Implications:

Pursuant to the service plan, the City Special District Policy, and the bond documents, the issuance of this debt does not constitute a financial obligation of the City.

With this refinancing, the formally issued debt of the District will be below the maximum of \$4,000,000 authorized by the Service plan for District No. 2. (The Service Plan also authorizes a separate cap of \$4,000,000 that may be issued by District No 1 at some point in the future). The bond documents are structured so that any risk beyond the maximum capped mill levy, and the associated specific ownership tax will not accrue to the tax paying property owners.

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 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, as well as representations from the District that the loan complies with the service plan and all applicable laws, provide a basis for Council's decision.

City Council Appointed Board/Commission/Committee Recommendation:

The City's staff-level Special District Committee has been provided copies of these materials. No comments or questions were received.

Stakeholder Process:

N/A

Alternatives:

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

Proposed Motion:

Approve the Resolution Authorizing the Patriot Park Metropolitan District No. 2 to Issue Series 2021 General Obligation Limited Tax Bonds in an Aggregate Principal Amount Not to Exceed \$3,250,000.