City Hall
107 N. Nevada Avenue
Colorado Springs, CO 80903

Legislation Text

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Resolution Authorizing the Banning Lewis Ranch Metropolitan District No. 3 to Issue Series 2015A Limited Tax General Obligation Bonds in an Amount Not to Exceed $9,000,000, and Series 2015B Subordinate Cash Flow Bonds in an Amount Not to Exceed $1,800,000
(Legislative Matter)

From:

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Summary:

This introduces a request to approve issuance of formal debt in an aggregate amount of up to $10,800,000 by the Banning Lewis Ranch District No. 3 ("District") in the form of two marketed bond issues. 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 will be heard at the October 27, 2015 City Council meeting at which time 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.

Previous Council Action:

The Banning Lewis Ranch Metropolitan Districts No. 1-7 ("Districts") were established by election in November 2005, following approval by Council of an initial service plan in that year (Resolution No. 162-05). On March 11, 2008, Council approved an amended and consolidated plan ("the Service Plan") for District Nos. 1-5 and 7 (Resolution No. 52-08). Note: former District No. 6 has been reorganized into distinct regional metropolitan district pertaining specifically to wastewater improvements. On May 26, 2009, Council approved a minor amendment to the Service Plan to clarify overall debt authorizations within each district (Resolution No. 118-09). In 2013 and again in 2014 Council authorized issuance of bonds for Banning Lewis Ranch District No. 2. However, this will be the first debt issued by this particular District (District No. 3).

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.

The proposed debt instruments are proposed to be non-taxable bonds marketed to third parties, and used to reimburse the developer for advances made to the District for public improvements already constructed. The bonds will consist of senior Series 2015A Limited Tax General Obligation Bonds in an amount not to exceed $9,000,000 and subordinate Series 2015B Subordinate Cash Flow Bonds in an amount not to exceed $1,800,000. These are the maximum amounts that could be issued, with a likelihood that the aggregate total may be somewhat lower. The interest rate for the Series A bonds is expected to be about 6.5%, subject to pricing in conjunction with closing. The interest rate for the Series B bond is anticipated to be about 8.0%. The term (maturity) of the bonds would be 30 years. However, 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. Pledged revenues for each bond issue will include the maximum capped debt service mill levy of 30.000 mills along with associated specific ownership taxes and a $1,000 per lot system development fee charge at the time of lot sales.

When the consolidated plan for the multiple Banning Lewis Ranch Metropolitan Districts was first approved and implemented, District No. 1 was legally described as a small developer-owned parcel (the boundaries of which has subsequently been moved). Districts No. 2-7 were initially established as small “holding type” parcels with the intent of being “rolled out” in conjunction with the development of the overall master plan as it evolved. Districts 2-5 are the residential districts and District 7 will be the commercial district. As noted above, former District 6 has been redefined as a unique district pertaining to financing related to regional wastewater improvements. Districts No. 2 and No. 3 have now been reconfigured to match their final intended geography. Given the dynamic that has occurred with the division of the original Banning Lewis Ranch Metropolitan Districts area among two major owners (Oakwood Home and Nor’wood) it is likely there will be requests and a need for reconsideration of the overall framework of metropolitan district plans for this area.

The improvements to be financed generally consist of the streets, sidewalks, water, sewer, storm sewer and park/trail improvements all as listed in an attached summary. All of the costs to be reimbursed are associates with completed public improvements already dedicated to the City.

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 an added provision requiring the closing of these bonds to occur within one year of City Council approval.

The attachments are provided in the following order:

- Draft City Council Resolution
- Cover letter from District
- Term Sheets
- Development Projections and Bond Summaries
- Draft Indentures of Trust
- Draft Compliance Letter from the District’s General Counsel
- Summary of Costs to be Reimbursed
- Map of District No. 3

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 issuance, formally issued debt of the District will remain well below the maximum of $100,000,000 authorized by the service plan. 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.

Board/Commission Recommendation:

The City's staff-level Special District Committee has been provided copies of these materials. All comments received have stated no concerns.

Stakeholder Process:

Not applicable.

Alternatives:

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

Proposed Motion:

Move approval of the resolution Authorizing the Banning Lewis Ranch Metropolitan District No. 3 to Issue Series 2015A Limited Tax General Obligation Bonds in an amount not to exceed $9,000,000, and Series 2015B Subordinate Cash Flow Bonds in an amount not to exceed $1,800,000.

Not applicable.