



Legislation Text

File #: 22-393, **Version:** 3

A Resolution of the City Council of Colorado Springs, Colorado Approving the Proposed 2023 Operating Plan and Budget for the Interquest North Business Improvement District

Presenter:

Carl Schueler, Comprehensive Planning Manager
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Summary:

The Interquest North 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 continuing development and public improvement activity within this BID, along with corresponding additional draws on this BID's Series 2020 bond issuance.

At the October 25, 2022 Council meeting Mr. Tim Leonard presented the concerns outlined in his letter. Mr. Russ Dykstra, counsel for the District provided a response and noted that the District board would be meeting on November 2, 2022 to consider changes to this operating plan and budget and/or response at that time. After discussion, Council voted to postpone action on this item to their November 8, 2022 meeting.

At the November 8, 2022, hearing, staff provided an update concerning the revised Operating Plan and Budget as recently resubmitted by the District subsequent to their November 2, 2022 board of directors meeting, along with follow-up communication provided by Mr. Leonard and District counsel. Following discussion, Council voted to further postpone action on this item to the November 22, 2022 hearing in order to allow time for them to consider the most recent submittal and communications.

The current version of the Operating Plan and Budget includes a reduction in the debt service mill levy from 50.0 to 17.0 mills as well as a larger and now full final draw on this BID's previously authorized 2020 bond issuance.

Background:

The BID boundaries were established pursuant to an election in 2004, with an additional property inclusion approved by City Council in 2007. In 2016 City Council approved the exclusion of 1.2 acres and in 2017 an additional 13.151 acres was approved for exclusion, both of which were being developed for residential purposes and was no longer statutorily eligible to remain in the District. The District's elected board is comprised of individuals associated with Nor'wood Development Group. The District anticipates continued public improvement construction and the provision of operations and maintenance services in 2023, including, but not limited to, parking and street maintenance and

operations, including snow removal, landscaping, stormwater, marketing, common area maintenance, and security services as needed.

The 2023 Operating Plan indicates that the District does not anticipate boundary changes for 2023. The BID's Operating Plan and Budget project adequate revenues to service the BID's obligations and maintain positive fund balances.

This BID is somewhat unique in that it owns and operates a large parking lot, along with owning and maintaining stormwater facilities. Most BIDs own and maintain improvements (e.g. parking lots of landscaping) through the use of easements. This budget includes substantial expenditures for maintaining District-owned and other common areas and properties.

Other major changes or new activities in the coming year include installation of additional infrastructure, and reimbursement of additional developer advances or other certified costs related to recent and ongoing public improvements. These reimbursements would be made as drawdowns from remaining available bond proceeds.

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

A 10/11/22 letter of objection from a Mr. Tim Leonard is provided as an attachment, along with a follow-up 11/7/22 letter from him, and then a response to this letter dated 11/7/22 and provided on 11/8/2022 by District counsel.

Previous Council Action:

City Council approved formation of this BID in 2004 (Ordinance No. 04-237), along with its 2010 and 2016 bond issuances (Resolution No. 185-10 and Resolution 54-16) and has approved the BID's Budget and Operating Plan annually since its formation. City Council approved a property inclusion in 2007 and an exclusion of property in 2016. An additional 13.151 acres of property were excluded by Council Ordinance No. 17-27 on March 14, 2017. In October 2018 City Council approved an increase to the District's authorized indebtedness from \$13 million to \$25 million. In February 2019 Council approved a resolution approving the credit public improvement fee (PIF) agreement between the City, Scheels All Sports, Inc., and the BID. The PIF agreement (Resolution No. 32-19) will allow Scheels to collect a PIF of 1%, which is offset by a temporary 1% reduction of the 2% general municipal sales tax for a period of 25 years, this will result in total fees and taxes equal to what customers would have paid in absence of the PIF. In May 2019 a petition was presented to Council to exclude certain properties from the BID, this request was subsequently withdrawn in June 2019. In August 2020 City Council approved issuance of \$13,735,000 in privately placed Limited General Obligation Bonds (Resolution No. 68-20).

This item was introduced in a City Council Work Session on October 10, 2022. At that time Council had no comments or questions that were uniquely pertinent to this Operating Plan and Budget. At the October 25, 2022 hearing, Mr. Tim Leonard spoke in opposition to the operating plan and budget as currently submitted, primarily referring to the content of his previously submitted letter. He also responded to Council questions. Mr. Russ Dyksta provided a brief statement in response. He answered questions about the timing and preliminary nature of BID originally submitted budgets, based on information available as of about September 15th of each year. He stated that the District

board could consider these comments at their upcoming November 2, 2022, meeting along with a request by Council for additional background and response on the 2023 debt service mill levy topic.

Following their November 2, 2022 board of directors meeting, this BID resubmitted a revised operating plan and budget with a 2023 (2022 taxes for collection in 2023) debt service mill levy decrease from 50.0 to 17.0 mills. The latest revised budget also includes a higher anticipated and now final draw of \$5,860,000 from this BID's 2022 bond issuance, along with an additional planned direct reimbursement \$1,000,000 from available funds. This latest version of the plan includes a corresponding increase in the proposed 2023 developer advances from \$2,970,000 to \$6,860,000 to match these expenditures. This latest version of the Operating Plan and Budget was first electronically transmitted to Council on Friday September 4th and is now attached. Also attached is the original letter of objection provided by Mr. Leonard, along with follow-up correspondence provided by him on Monday, September 7th. Also attached is a September 8th 2022 letter in response provided by BID counsel, Russ Dykstra.

Financial Implications:

The District issued \$6,500,000 in Limited Tax General Obligation Bonds, Series 2010 for public improvements, with an interest rate of 8.5%, and subject to redemption at the District's option. In 2016, this BID issued an additional \$4,765,000 in Limited Tax General Obligation Bonds with an interest rate of 6.5%. In 2020 the District issued \$13,735,000 in Limited Tax General Obligations Drawdown Bonds with an interest rate of 7.0%. The 2020 bonds are subject to mandatory redemption starting on December 1, 2024 and are subject to optional redemption beginning January 1, 2027. The initial draw in 2020 was \$1,535,000, a second draw in 2021 was \$6,340,000, and a third draw of \$5,860,000 is budgeted in 2023 and is anticipated to fund additional capital improvements. 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 proposed total mill levy for the BID in 2023 has now been revised to 18.000 mills (1.000 mill for operating expenses and 17.000 mills for debt service) which represents no change from 2022. The District anticipates receiving \$2,750,000 in Public Improvement Fees (PIF) during 2023. The amount of this PIF is 1.25% on all retail purchases. These fees are pledged revenue to be used toward the repayment of the Series 2010 Bonds.

The District anticipates having an outstanding developer advance balance of \$97,755 at the end of 2023, which represents just the interest balance and accrues interest at a rate of 7%. The 2023 budget includes \$6,860,000 in additional developer advances to fund capital projects. The developer advance is budgeted to be repaid with the corresponding draw in 2023 of \$5,860,000 from the 2020 bond issuance along with an additional transfer of \$1,000,000 from available fund balances.

As a separate legal entity, the financial activities of the BID are separate from those of the City, and its indebtedness is an obligation of the property in the BID and not 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 Interquest North Business Improvement District.

N/A