



Legislation Text

File #: 22-389, **Version:** 2

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

Presenter:

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Summary:

The First and Main 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 does not anticipate any changes from the prior year or major activities other than servicing of existing debt. Staff notes that assessed valuation (AV) for this BID is lower than in prior years due to high commercial vacancy rates. As a result, limited developer advances are necessary to balance this BID's budget, and reserve/fund balances are low. Staff notes that because these are related party privately placed bonds, the party owning the bonds is effectively the same as party that is advancing the funds necessary to keep payments current.

This BID provided a revised version of their 2023 Operating Plan to remove language in Exhibit B, page 7 of the Annual Budget - Debt Service regarding the repayment of developer advances in 2023. The 2023 budget does not include payments on the developer advance balance in 2023.

Background:

The boundaries of this development-specific BID were established pursuant to an election in 2004. This BID has an elected board, which is comprised of individuals associated with Nor'wood Development Group. The District is authorized to provide the acquisition of improvements, construction of improvements, operation and maintenance of parking facilities, roadways, lighting, driveways, public utilities, and landscaping. The District currently owns certain street improvements, parking facilities, water improvements and drainage improvements.

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

Previous Council Action:

City Council approved formation of this BID in 2004 (Ordinance No. 04-51) and has approved the BID's Operating Plan and Budget annually since its formation.

This item was introduced in a City Council Work Session on October 10, 2022. Council had no comments or questions that were uniquely pertinent to this Operating Plan and Budget.

Financial Implications:

The District issued \$1,927,000 in Limited Tax General Obligation Bonds, Series 2005 for infrastructure improvements. The bonds financed public improvements which included streets, parking, water lines, and sewer lines, and carry an interest rate of 6.0%. These bonds are privately placed with this developer.

The District anticipates an outstanding developer advance balance of \$215,864 at the end of 2022, which accrues interest at a rate of 7%. As of December 31, 2022, the accrued interest on the developer advance balance is estimated to be \$64,481. The 2023 budget includes an additional developer advance of \$18,000.

The proposed mill levy for the BID in 2023 is 51.000 mills (1.000 mill for general expenses and 50.000 mills for debt service). Although the series 2005 Bond Resolution limited the mill levy to 34.000 mills for years 2016 through 2034 due to lower than projected revenue from the limited mill levy, the Board of Directors of the District approved keeping the mill levy at 39.000 mills. However, pursuant to the Second Amendment to Bond Resolution, Series 2005, dated November 29, 2017, the District authorized the mill levy limitation to not exceed 50.000 mills for payment of principal, premium, and interest on the bonds and any parity bonds.

Staff notes that the existing and projected debt service fund balances for this BID are small and provide limited margins in the event of a revenue shortfall. The District advised that in the event of a shortfall the risk would accrue to the (related party) bondholders. They further state that the term of these particular bonds cannot be extended without a refunding of these bonds.

As a separate legal entity, the financial activities of the BID are separate from those of the City. Any financial obligations of the BID are specific to the property within its boundaries and do not constitute an obligation of 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 First and Main North Business Improvement District.

N/A