



## Legislation Details (With Text)

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**Type:** Resolution      **Status:** Mayor's Office

**File created:** 9/23/2019      **In control:** City Council

**On agenda:** 10/22/2019      **Final action:** 10/22/2019

**Title:** A Resolution authorizing the USAFA Visitors Center Business Improvement District to issue debt in the form of Series 2019A Special Revenue Bonds, Taxable Series 2019B Special Revenue Bonds, and Series 2019C Subordinate Special Revenue Bonds.

(Legislative Item)

**Presenter:**  
Carl Schueler, Comprehensive Planning Manager, Planning & Community Development  
Bob Cope, Economic Development Officer

**Sponsors:**

**Indexes:** BID, Issuance of Debt

**Code sections:**

**Attachments:** 1. resolution, 2. Attachment 2- District Bond Resolution, 3. Attachment 3- Indenture (Senior) -9.25.pdf, 4. Attachment 4- Indenture (Subordinate) - 9.25.pdf, 5. Attachment 5- Pledge Agreement between BID and CSURA 9-25-19), 6. Attachment 6- General Counsel Opinion, 7. Attachment 7- Description of BID Improvements - Uses of Funds, 8. Attachment 8- Market and Revenue Study\_9-18-19, 9. PowerPoint\_USAFABID\_Debt Issuance, 10. Signed Resolution 103-19.pdf

Date	Ver.	Action By	Action	Result
10/22/2019	1	City Council	adopted	Pass
10/7/2019	1	Council Work Session	referred	

A Resolution authorizing the USAFA Visitors Center Business Improvement District to issue debt in the form of Series 2019A Special Revenue Bonds, Taxable Series 2019B Special Revenue Bonds, and Series 2019C Subordinate Special Revenue Bonds.

(Legislative Item)

**Presenter:**

Carl Schueler, Comprehensive Planning Manager, Planning & Community Development  
Bob Cope, Economic Development Officer

**Summary:**

This is a request to approve issuance of debt by the USAFA Visitors Center Business Improvement District ("District") in the form of marketed Series A, Series B and Series C 2019 bonds. These will be repaid from a combination of limited property tax, specific ownership tax, public improvement fees (PIFs) and property and sales tax increment financing (TIF) revenues from both the overlying urban renewal area, and the State Regional Tourism Act. PILOT (Payment in Lieu of Taxes) revenues from agreements with non-profit ownerships or businesses within the BID may also be available. The Series A and B bonds will be issued at parity with each other. The Series C bonds will be subordinate

to the A and B bonds. The Series A bonds will be in the approximate principal amount of \$20,000,000 the Series B bonds will be in the approximate principal amount of \$52,000,000, and the Subordinate Series C bonds are expected to be in the amount of \$15,000,000. Notwithstanding these estimated individual bond amounts, the applicants have now also agreed to an aggregate combined limit of no more than \$80,000,000 for all three issues.

The City's Special District Policy and the District's approved Operating Plan and Budget require that City Council's approval be obtained prior to issuing any debt. 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 Section 7-100.

This item will be presented for additional discussion and comments at the October 8, 2019 City Council Budget Committee meeting. At the October 7, 2019 Work Session and the October 8, 2019 Budget Committee meeting, discussion centered on justification and background for the \$87,000,000 in total bonds being proposed. Information was shared concerning the total project costs, combined with other costs of issuance including capitalized interest. At the Budget Committee, the applicants agreed to evaluate options for a lower aggregate debt limitation for the three issuances. An \$80,000,000 aggregate limit is now being proposed. Additional information regarding this proposed aggregate limit will be provided at the hearing.

### **Background:**

There are a variety of concurrent Council actions being processed for this BID. These include motions to adopt an Amended 2019 Operating Plan and Budget and a 2020 Operating Plan and Budget for this BID, along with ordinances to exclude the property that originally comprised the BID, and then include the properties that will be part of this project.

BIDs are created under Colorado Statute and City Policy to finance and/or maintain certain public improvements in non-residential areas, utilizing a property tax mill levy as the revenue source. BIDs are separate legal entities from the City, but their Operating Plans and the Special District Policy require City Council approval of all formal BID debt. The standard of review of the debt instruments is consistency with the Operating Plan and all applicable laws.

The original Operating Plan and Budget for this BID was approved by motion on August 14, 2018 with a limit of \$22,000,000 in maximum debt authorization. When Ordinance 18-77 was executed and recorded at that time, an incorrect version of the Operating Plan and Budget was inadvertently attached. This Ordinance has subsequently been re-recorded with the correct version as presented to Council and included in their agenda materials for the August 14, 2018 meeting.

The draft Amended 2019 Operating Plan and Budget and a new 2020 Operating Plan and Budget have recently been revised allow for a maximum of \$80,000,000 in authorized indebtedness, which is less than the combined maximum total amounts requested for each of the individual issuances. The applicants will provide additional background on and justification for these requested limits and structure at the meeting.

This BID is authorized to levy up to 50.0 mills for debt service, and 10.0 mills for operational purposes, and these mill levies are expected to be certified in December of this year for properties within this BID. This will be the first issuance of debt by this District; however, it has accumulated developer advances.

The issuance of this debt has been generally anticipated since this BID was created in 2018.

The draft form of the bond resolution and the indentures are attached. This debt is anticipated to be in the form of marketed bonds. The issuance is being separated in three bonds in order to enhance the revenue “coverage ratio” for the Series A and B Bonds, while maximizing the total amount of debt that can be issued at this time. The Series A Bonds will have an anticipated maximum net effective interest rate of 7.0%, the Series B Bonds will have an anticipated maximum net effective interest rate of 8.5% and the Series C bonds will have an expected rate not to exceed 10.0%. Actual rates will be determined after marketing and closing on the bonds. The Series B bonds are expected to be taxable (not tax-exempt) because their proceeds will be earmarked primarily to pay the costs of the Visitors Center. Federal Regulations prohibit the use of tax exempt bonds to pay for facilities owned by the Federal Government.

The bond documents allow for a 50-mill debt service cap, which is equal to the City Council-authorized maximum cap. Add-on retail and service public improvement fees (PIFs) of 3.0% will also be pledged as revenue to service this debt, along and expected lodging PIF of 2.0%. Also pledged will be urban renewal area property tax TIF (tax increment financing) revenues and a sales tax TIF of 1.75% for the allowable periods.

The bonds will have expected redemption dates such that they could potentially be refinanced at lower interest rate assuming improved coverage rates and subject to future interest rate conditions.

The term of the A and B bonds will be about 32 years, with a final maturity date of 2051. The Series C bonds will be scheduled for 40 years with a maturity date of 2059.

The improvements to be financed are described in an attached document. Generally, the proceeds of the Series A and C bonds will be used to pay for public infrastructure and related eligible costs to support the overall project. The Series B bonds will primarily be used to fund the Visitors Center.

#### **Previous Council Action:**

Council approved the initial Operating Plan and Budget for this BID on August 24, 2018 (Ordinance 18-77). A 2019 Operating Plan and Budget was approved by Council by motion on October 23, 2018).

On July 9, 2019 the Council approved an urban renewal plan and cooperation agreement related to this project, and his Board took action to approve the urban renewal TIF pledge subject to the provisions of the cooperation agreement.

Concurrent applications and petitions are in process to include certain property into this BID, exclude another property from it, and to approve an Amended 2019 and a new 2020 Operating Plan and Budget.

#### **Financial Implications:**

Pursuant to the District’s operating plan, the City Special District Policy, and the bond documents, the issuance of this debt does not constitute a financial obligation of the City. The documents will contain the limitations required by the City’s Special District Policy. City Charter Section 7-100 provides that

the total debt of any special district may not exceed ten percent (10%) of the total assessed valuation of the taxable property within the district unless such debt is approved by at least a two-thirds vote of the entire Council.

The bond documents are structured so that any risk beyond the maximum capped mill levy, the associated specific ownership tax as well as the TIF and PIF and LART requirements, will not accrue to the property owners.

**Board/Commission Recommendation:**

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

Because there is an overlapping urban renewal area and a pledge of tax increment financing (TIF) revenues, the Urban Renewal Authority Board has been involved in this process.

**Stakeholder Process:**

As noted above, the Colorado Springs Urban Renewal Authority and the City's LART Committee have been involved in this overall economic development financing effort,

**Alternatives:**

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

**Proposed Motion:** (for October 22, 2019)

Move adoption of the resolution authorizing the USAFA Visitors Center Business Improvement District to issue debt in the form of Series 2019A Special Revenue Bonds in the approximate amount of \$20,000,000, Taxable Series 2019B Special Revenue Bonds in the approximate amount of 52,000,000, and Series 2019C Subordinate Special Revenue Bonds, in the approximate amount of \$15,000,000, with an overall aggregate limit of \$80,000,000 for the combined issuances.