



Legislation Details (With Text)

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| File #: | 19-703 | Version: | 1 | Name: | Wildgrass at Rockrimmon MD |
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Title: A resolution approving the issuance of debt in the form of Limited Tax General Obligation Bonds not to exceed \$1,800,000 for the Wildgrass at Rockrimmon Metropolitan District

Presenters

Carl Schueler, Comprehensive Planning Manager, Planning and Community Development

Peter Wysocki, Planning and Community Development Director

Sponsors:

Indexes: Issuance of Debt, Metropolitan District

Code sections:

Attachments: 1. Resolution, 2. PowerPoint, 3. Attachment 1-Transmittal Letter, 4. Attachment 2- Term Sheet, 5. Attachment 3- District Bond Resolution, 6. Attachment 4- Form of Senior Indenture, 7. Attachment 5- Form of Subordinate Indenture, 8. Attachment 6- Financial Plan, 9. Attachment 7-Draft General Counsel Opinion Letter, 10. Attachment 8- Summary of Public Improvements Costs, 11. Signed Resolution 7-20.pdf

| Date | Ver. | Action By | Action | Result |
|-----------|------|----------------------|----------|--------|
| 1/28/2020 | 1 | City Council | adopted | Pass |
| 12/9/2019 | 1 | Council Work Session | referred | |

A resolution approving the issuance of debt in the form of Limited Tax General Obligation Bonds not to exceed \$1,800,000 for the Wildgrass at Rockrimmon Metropolitan District

Presenters

Carl Schueler, Comprehensive Planning Manager, Planning and Community Development

Peter Wysocki, Planning and Community Development Director

Summary:

The attached resolution will approve the issuance by the Wildgrass at Rockrimmon Metropolitan District ("the District") of Limited Tax General Obligation Bonds, Series 2020 in an aggregate amount anticipated to be \$1,362,000 and the related bond documents. The District is proposing to issue this debt in the form of Series A senior bonds in an anticipated amount of \$1,027,000 and subordinate Series B bonds in an amount of \$335,000. The attached draft City Council resolution addresses contingencies by stipulating not-to-exceed cap of \$1,800,000 for the combined issuances and \$400,000 for the Series B bonds.

The City's Special District Policy requires that City Council approval be obtained prior to issuing of any formal debt for metropolitan districts. These bond issues are contemplated by the District's Council-approved service plan. Copies of the bond documents and associated supporting materials are attached.

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:

This metropolitan district is requesting authorization to issue tax-exempt bonds in the form of Limited Tax General Obligation Bonds, Series 2020A in an anticipated amount of \$1,027,000, and Subordinate Limited Tax General Obligation Bonds, Series 2020B (3) in an anticipated amount of \$335,000.

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, with independently elected boards. The Wildgrass at Rockrimmon Metropolitan District (“the District”) was originally created in 2007 as a single residential metropolitan district subject to the standard Gallagher-adjusted mill levy caps in place at the time (30.0 mills for debt service and up to 10.0 mills for operations and maintenance). The District is intended to provide financing and a source of reimbursement for qualifying improvements within the 14.28 acre Wildgrass at Rockrimmon development, along some ongoing maintenance of shared public facilities, and covenant enforcement. This single-family, attached development has a total of 76 planned dwelling units. Construction of homes is underway, with completion currently anticipated by 2020.

The District’s current debt service and operational mill levy caps are Gallagher adjusted such that the current mill levies are 33.166 and 11.055 mills respectively. The public improvements to be financed by this 2019 Bond consist a portion of eligible street, water, sewer, stormwater, and common area landscaping improvements. The District has engaged an independent engineer to review and verify these costs, which are currently estimated to equal about \$3.9 Million not including soft costs. Pursuant to the 2018 amendment of the service plan for this District, there is anticipated to be no home owners association. Therefore, common areas and their applicable improvements are expected to be owned and maintained by this District.

The Council-imposed \$6,500,000 limit on the aggregate total principal debt amount allowable for this will not be exceeded, as this will be the first debt issuance by this District. The 2020 Bonds will be repaid by a mill levy that will not exceed 33.166 mills per year, subject to additional Gallagher adjustments as described in the draft Bond Resolution. Both the Series A and B Bonds will be marketed to third party investors. The senior Series A Bonds are projected to bear interest at 5.0%, with the subordinate Series B interest rate estimated at 8.5%. Both bonds are scheduled to finally mature on December 1, 2049. However, they have optional earlier refunding dates. The exact interest rates will be determined immediately prior to closing. The Series B bonds are structured as “cash flow bonds”, thereby allowing the District to issue the Series A bonds in an amount that provides a coverage ratio that supports a lower interest rate for the senior bonds.

As a residential metropolitan district, this District is subject to a maximum 40-year debt service mill levy imposition term. In the event either the Series A or B bonds have not otherwise been defeased prior to the end of that period (2056 in this case), the property owners within the District would have no further obligation.

Present and future property owners within the District will not be burdened with debt service mill levies of the District higher than the limited debt service mill levy set forth in the Service Plan. The Service Plan contains a “Gallagher adjusted” maximum debt service mill levy 30 mills, which is being adjusted due to a change in the rate of assessment for residential property as allowed for in the Service Plan.

Because the assessment rate for residential property has decreased as a proportion of market value, the net impact of the higher mill levy is effectively neutral in terms of the amount of tax generated from a given amount of market value.

The City Council Budget Committee discussed this item at their November 21, 2019 meeting. Discussion Centered on contingencies related to the not-to-exceed amounts for the combined issuances, and a related concern with any potential for the higher-interest Series B Bonds significantly exceeding the anticipated \$335,000 amount, as represented. The Committee concurred that a not-to-exceed limit of \$1,800,000 was appropriate for the combined Series A and B issues, and that a 20% upward contingency was acceptable for the Series B bonds. The attached City Council resolution is drafted to reflect these contingencies.

PREVIOUS COUNCIL ACTION:

City Council approved a consolidated service plan for the Wildgrass at Rockrimmon Metropolitan District on September 11, 2007, This District was formally created in early 2008 (Resolution 159-07). On May 8, 2018 Council approved an Amended and Restated service plan which authorizes this District to operate in lieu of an owners’ association by allowing the District to own, operate, and maintain public and common area improvements, and to enforce covenants and provide design review services (Resolution 50-18).

Financial Implications:

Pursuant to the District service plan, the City Special District Policy, and the bond documents themselves, the issuance of these bonds does not constitute a financial obligation of the City. The bond documents contain the limitations required by the City’s Special District Policy. A draft opinion has been provided by the bond counsel for this metropolitan district that the bond documents are consistent with the approved service plan and with the City Special District Policy.

Board/Commission Recommendation:

N/A

Stakeholder Process:

The staff-level Special District Committee has been provided with the materials associated with this request. As of the date of this staff report no comments have been received.

Alternatives:

City Council could choose to approve, not approve or modify the proposed resolution.

Proposed Motion:

Move to adopt a resolution approving the issuance of debt in the form of Limited Tax General Obligation Bonds not to exceed an aggregate principal amount of \$1,800,000 for the Wildgrass at Rockrimmon Metropolitan District.

Summary of Ordinance Language
N/A