



Legislation Details (With Text)

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Title:	Resolution authorizing issuance of debt by the Bradley Heights Metropolitan District No. 2 in a combined principal amount not to exceed \$35,000,000				
	Presenter: Carl Schueler, Comprehensive Planning Manager, Planning & Community Development Department				
Sponsors:					
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Attachments:	1. Resolution, 2. 1- Transmittal letter 3-17-21, 3. 2- Staff PowerPoint Bradley Heights MD 2, 4. 3- Bradley Heights MD 2 Work Session Presentation 4.1.21, 5. 4- J BHMD#2&3 NR A2+B2 Financial Plan, Apr1, 6. 5- Bond Resolution - 04-01-21, 7. 6- Senior Indenture - 04-01-21, 8. 7- Subordinate Indenture - 04-01-21, 9. 8- BHMD2 Draft General Counsel Bond Opinion, 10. Signed Resolution 62-21				

Date	Ver.	Action By	Action	Result
4/27/2021	1	City Council	adopted	Pass
4/12/2021	1	Council Work Session	referred	

Resolution authorizing issuance of debt by the Bradley Heights Metropolitan District No. 2 in a combined principal amount not to exceed \$35,000,000

Presenter:

Carl Schueler, Comprehensive Planning Manager, Planning & Community Development Department

Summary:

This is a request to approve issuance of formal debt in an aggregate amount not to exceed \$35,000,000 in the form Limited Tax General Obligation Bonds, Series 2021 A and B. The bonds will be issued by Bradley Heights Metropolitan District No 2, but will also have pledge of revenues from Bradley Heights Metropolitan District No. 3, and will be repaid from a combination of property tax and associated development fee revenues. The amount of the senior series A bonds is anticipated to be about \$27,750,000, with the subordinate Series B bonds expected to be issued in an amount of about \$4,978,000. The City's Special District Policy and the District's service plan require that City Council's approval be obtained prior to issuing any debt.

The net revenues from these issuances will be used to fund anticipated public improvements costs for this project area, including the extension of major roadways. The draft Council resolution includes limits related to discharge dates, call dates and maximum amount for the combined debt issuance.

The Series A bonds are expected to carry an interest rate of 5.25% with the Series B bonds having an interest rate of 7.75%. Actual rates will be set immediately prior to closing.

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.

This item was introduced at the Council Work Session on April 12, 2021, at which time there were no questions or requests for further information.

Background:

The Bradley Heights Metropolitan Districts provide financing and a source of reimbursement for qualifying public improvements within a development located in the southern part of the City along Bradley Road and within the Banning Lewis Ranch master plan area. These districts were originally created in 2005 (then known as the Rancho Colorado Metropolitan Districts). Their consolidated service plan was amended and restated in 2010 to change the name of the districts and to conform with the City's model service plan (adopted in 2006). In this structure, District No. 1 functions as the operating district, with District No. 2 functioning as the residential district No. 3 functioning as the commercial district. Over time the internal boundaries of these districts have been modified to generally expand the area within District No. 2.

Until recently, there has been limited development activity in this area. However, development plans are now being updated and are proceeding through the process.

The proceeds from these bonds would be used to reimburse public improvements costs primarily related to extension of the roadway and utilities necessary to develop this site. Overall zoning and development approvals are in place to support primarily residential development anticipated to be completed within the next several years. Approximately 2,100 single-family and multi-family units are planned for this property. This project is included in and subject to the Banning Lewis Ranch Master Plan. This property was included in the Banning Lewis Ranch annexation in 1988.

The service plan authorizes up to \$35,000,000 in debt authorization for all three districts combined. The Series 2021 A and B bonds would both be marketed. The anticipated amounts of the A bonds would be \$27,750,000, and \$4,978,000 for the B bonds for a total of about \$32.7 Million. The Council resolution sets a combined not-to-exceed cap of \$35,000,000, which coincides with the maximum

These issuances have a term of 30 years, with an anticipated maturity date of December 2051. Because there will be residential uses in this district, the bonds are now structured to have discharge dates of no later than December 2052, after which there would be no further obligation of taxpayers, regardless of whether any principal or interest was outstanding at that time. This will maintain consistency with service plan provision for the Maximum Debt Service Mill Levy Imposition Term of no longer than 40 years. This District first certified a debt mill levy in 2012 for collection in 2013.

The debt service mill levy available to service these bonds is limited to a "Gallagher adjusted" 30 mills (along with associated specific ownership tax). The current debt service mill levy is 33.398 mills. The District proposes to augment the pledged revenues with platting and/or building permit fees.

These Series 2021 bonds will be structured to be "callable", such that a future potentially resident board might possibly be in a position to refinance these obligations, subject to future financial conditions. The bonds will be structured to allow for refunding at a premium in as few as 5 years.

Financial projections are attached, along with an exhibit depicting the public improvements costs to

be reimbursed from available bond proceeds. A total of about \$24.8M in project costs are listed. This amount would be somewhat in excess of the available project fund net of issuance costs, capitalized interest and bond reserve.

These districts are overlapped by the Colorado Centre Metropolitan District (CCMD) which has been in existence since approximately 1984. The CCMD service plan was approved by the Board of County Commissioners when the original Colorado Centre project was approved as an unincorporated development of about 4,000 acres in area. Initial County development took place in the mid to late 1980s, primarily in the form of several hundred single-family homes. Subsequently, the majority of the remaining vacant property was acquired by initial developer of Banning Lewis Ranch and included as part of the 1988 BLR annexation. Essentially, CCMDs original boundaries remain unchanged.

The City Council Budget Committee discussed this request at their March 23, 2021 meeting and had questions and requests. There was discussion about benefits the District No. 3 (commercial) property would obtain from these improvements. The District has amended their request to include a pledge of revenues from District No. 3.

Included as attachments are the following documents:

- Draft Council resolution
- Transmittal letter from District
- Applicant PowerPoint presentation
- District bond resolution
- Draft senior and subordinate indentures
- Financial revenue model
- Draft opinions from District and bond counsels
- Summary of costs to be financed included in applicant presentation

Financial Implications:

Pursuant to the District's Service Plan, the City Special District Policy, and the loan documents, the issuance of this debt does not constitute a financial obligation of the City. The documents will contain the "limited default" provisions required by the City's Special District Policy. These bonds will be marketed to third party investors.

The bond resolution is structured so that any risk beyond the maximum capped mill levy and the associated specific ownership tax will not accrue to the property owners.

City Charter Article 7-100 requires that the total debt of any proposed district shall not exceed ten percent (10%) 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.

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, there have been no comments or questions from the Committee on this request.

Previous Council Action:

City Council approved a service plan for the Ranch Colorado Metropolitan District Nos. 1-3 on September 13, 2005 (Resloutioin163-05) and then a Restated and Amended Service Plan for the Bradley Heights Metropolitan District Nos.1-3 (these same districts) on May 11, 2010 (Resolution 67-10).

Alternatives:

- Approve the resolution as presented
- Deny the resolution
- Approve the resolution with modifications to the bond issuance

Proposed Motion:

Move adoption of the resolution approving the authorization for the Bradley Heights Metropolitan District No. 2 to issue debt in the form of limited tax general obligation bonds in a combined principal amount not to exceed \$35,000.000.

N/A