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Title: Approval of the Proposed 2022 Operating Plan and Budget for the Interquest North Business Improvement District

Presenter:
Carl Schueler, Comprehensive Planning Manager

Sponsors:

Indexes:

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Attachments: 1. 2022 Operating Plan and Budget - Interquest North BID(6215590.1) Rev

Date	Ver.	Action By	Action	Result
10/26/2021	2	City Council	approved	Pass
10/11/2021	1	Council Work Session	referred	

Approval of the Proposed 2022 Operating Plan and Budget for the Interquest North Business Improvement District

Presenter:

Carl Schueler, Comprehensive Planning Manager

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 2022 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.

This BID provided a revised version of their 2022 Operating Plan to clarify/update the following; paragraph 1.D Ownership of Property or Major Assets, which clarifies the property owned by the District; and paragraph 1.E Contracts and Agreements, the District entered into a maintenance Agreement with Nor'wood Limited, Inc. for the District's property and easement areas.

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 board currently has one vacancy which the District has noted may be filled with an appointment in 2022. The District anticipates continued public improvement construction and the provision of operations and maintenance services in 2022, 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 2022 Operating Plan indicates that the District does not anticipate boundary changes for 2022, however, they may receive inclusion or exclusion requests in the future as circumstances arise. 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 2014 for these documents.

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 11, 2021. Council had no comments or questions that were uniquely pertinent to this Operating Plan and Budget.

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 approximately \$6,340,000, and a third draw of \$3,000,000 is budgeted in 2022 and is anticipated to fund additional capital improvements. As described in the 2022 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 2022 is 51.000 mills (1.000 mill for operating expenses and 50.000 mills for debt service) which represents no change from 2021. The District anticipates receiving \$2,000,000 in Public Improvement Fees (PIF) during 2022. 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 \$97,719 at the end of 2021, which represents just the interest balance and accrues interest at a rate of 7%. The 2022 budget includes \$2,970,000 in developer advances to fund capital projects. The developer advance is budgeted to be repaid with the corresponding draw of \$3,000,000 from the 2020 bond issuance.

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 2022 Operating Plan and Budget.

Stakeholder Process:

N/A

Alternatives:

N/A

Proposed Motion:

Move to approve the proposed 2022 Operating Plan and Budget for the Interquest North Business Improvement District.

N/A