



## Legislation Details (With Text)

**File #:** 22-413      **Version:** 1      **Name:** Peak No. 3 MD  
**Type:** Resolution      **Status:** Mayor's Office  
**File created:** 6/13/2022      **In control:** City Council  
**On agenda:** 7/26/2022      **Final action:** 7/26/2022  
**Title:** A Resolution of the City Council of the City of Colorado Springs, Colorado authorizing Peak Metropolitan District No. 3 to issue debt in the form of Limited Tax General Obligation Bonds Series 2022A-1 and Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2022A-2 in an amount not to exceed \$109,000,000 for properties in the Airport Business Park.

**Presenter:**

Carl Schueler, Comprehensive Planning Manager, Planning and Community Development  
Peter Wysocki, Director, Planning and Community Development

**Sponsors:**

**Indexes:** Issuance of Debt, Metropolitan District

**Code sections:**

**Attachments:** 1. Resolution, 2. Peak District #3 Proposed Boundaries, 3. Letter to City Council Re. Issuance of Debt Instrument (2022 Bonds), 4. Term Sheet - Peak MD No. 3 dated 6-9-22, 5. G.6 Peak MD#3 Financial Plan, 6. Peak MD 3 Preliminary General Counsel Bond Opinion, 7. Peak MD 3 Revised Indenture (6-13), 8. Signed Resolution No. 96-22

Date	Ver.	Action By	Action	Result
7/26/2022	1	City Council	adopted	Pass
7/11/2022	1	Council Work Session	referred	

A Resolution of the City Council of the City of Colorado Springs, Colorado authorizing Peak Metropolitan District No. 3 to issue debt in the form of Limited Tax General Obligation Bonds Series 2022A-1 and Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2022A-2 in an amount not to exceed \$109,000,000 for properties in the Airport Business Park.

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**Summary:**

The attached resolution will approve the issuance by the Peak Metropolitan District No. 3 ("the District") of bonds in an aggregate principal amount of approximately \$98,911,643 along with the related bond documents. The District is proposing to issue this debt in the form of \$69,600,000 of Limited Tax General Obligation Bonds, Series 2022A-1, and approximately \$29,391,643 of Subordinate Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2022 A-2.

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.

This item has been discussed at a City Council Budget Committee meeting on June 28, 2022. Refer to summary below. The item was then introduced at a Council Work Session on July 11 2022 at which time there were questions but non requests for follow-up or changes.

Please refer to the staff and applicant combined PowerPoint presentation for this and two other related agenda items. This presentation is included with the Peak Metropolitan District Nos. 4-7 agenda item.

**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 property is located in City Council District No. 4.

**Background:**

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 separate legal entities from the City, with independently elected boards.

These bonds will marketed and have estimated annual interest rates of 5.75% and 6.25% for the A-1 and A-2 bonds, respectively. The debt service mill levies and specific ownership taxes for District No. 3 will be pledged toward this debt. The infrastructure being financed is specific to District No. 3, such that the revenues of District Nos. 1 and 2 (or the proposed new Peak Metropolitan District Nos. 4-7) will not be pledged.

The project fund will be used for identified infrastructure benefiting the District No. 3 area. This District is one of three related metropolitan districts (Peak Metropolitan District Nos. 1-3) created for the purpose of financing infrastructure and providing services for the Peak Innovation Park which is the business park associated with the Colorado Springs Airport.

Both the A-1 and A-2 bonds are expected to be unrated, with the A-2 bonds being subordinate to the A-1 bonds and being structured initially as “cash flow bonds.” Both bonds are structured to have 30-year terms, although these could potentially extend if bond repayment revenues were not sufficient (or be accelerated if revenues come in faster than anticipated). These Series 2022 bonds are proposed to be first “callable” in five years subject to a declining premium. Staff are suggesting a maximum seven-year call provision in the Council resolution.

The public improvements costs to be financed by these bonds consist of eligible or potentially eligible costs as generally depicted in graphics included in an applicant PowerPoint presentation attach with an associated item on today’s agenda. It was noted that required stormwater improvements in the southeast area of the District boundaries will contribute significantly to the required improvements. The combined par amount of the A-1 and A-2 bonds is anticipated to exceed this amount. However, as described in the attached term sheets, the available net proceeds for the project fund will be reduced to account for costs of issuance, capitalized interest, and a reserve fund. At this time, it is anticipated that District 3 will have additional infrastructure requirements in the future, for which additional debt could be issued.

Following a period of limited activity development in the Peak Innovation Park area has been extremely active during the past few years. This activity has included but has not been limited to an

almost 4 million square foot Amazon distribution facility.

In this multiple district structure, as approved in the 2018 service plan, District No. 1 had originally been contemplated to be the operating district and director's parcel, with District Nos. 2 and 3 functioning as non-residential financing districts. This structure has been modified such that District No. 1 has been used as the first financing district, and No. 2 will now be used as an overlay district covering most of the business park, to provide consistent administration and property maintenance services across the entire project. This District's geography was initially structured to occupy very small initial inclusion parcels, thereby allowing adaptability for future inclusions consistent with phasing of development and public improvements within the business park. The boundaries of District No. 3 are anticipated to be expanded to encompass approximately 854 acres, prior to issuance of this debt.

As "commercial districts", District Nos. 1-3 have been authorized by the service plan and City Policy to levy up to 60.0 total mills (Gallagher Adjusted) in property tax (50.0 for debt service and 10.0 for operations and maintenance). However, District No. 3 is pledging a maximum of 37.0 debt service mills to this debt. Also pledged will be PILOT (payment in lieu of taxes) revenues from tax-exempt properties within District No. 3, to address the contingency that a property could convert to tax exempt status in the future.

At this time, the anticipated mill levies to be certified in 2022 for collection in 2023 will be as follows:

District No. 1	38.0 mills
District No. 2	8.0 mills
District No. 3	38.0 mills

The consolidated service plan for District Nos. 1-3 includes a \$200,000,000 limit on total "new money" principal debt allowable for these Districts as an aggregate amount. This debt amount (expected to be about \$99,000,000 and not to exceed \$109,000,000), when combined with the currently issued District No. 1 debt of \$43,450,000 will not exceed the overall \$200,000,000 limit. It is further noted that, as an operational district covering a larger overlapping territory, District No. 2 is not expected to issue its own debt.

The City Council Budget Committee considered this item at their June 28, 2022 meeting. There was combined presentation of this request along with the service plan for the new Peak Metropolitan District Nos. 4-7. The Budget Committee had a variety of questions and comments, but no ultimate concerns or requests for changes. Members did ask about the reasoning for two separate bonds. District representatives responded that this structure better accommodated projections that assessed valuation (AV) is expected to be limited during the first several years.

At the July 11, 2022 Work Session there was a question concerning the relationship of the northerly hotel parcel and its improvements, given its non-contiguous proximity. After the meeting, District representatives confirmed that this parcel will benefit from specific site related improvements funded by the bond issues.

Included as attachments to this agenda are the following documents:

- Draft Council resolution
- Applicant PowerPoint presentation (combined with two other related agenda items)
- Transmittal letter from District

- Term sheets
- Draft indenture
- Graphics provided by the District (within the PowerPoint) depicting boundaries, cost allocations and maintenance responsibilities
- Financial projections - with overall summary of costs to be financed
- Draft opinion from District's bond counsel

**Previous Council Action:**

City-approved development and zoning approvals have been in place for these properties for several years, and these are periodically refined and modified. On August 28, 2018, City Council approved a consolidated service plan ("Original Service Plan") for the Districts (Resolution 95-18). On February 12, 2019, Council approved an amendment of this service plan to authorize covenant enforcement by these Districts (Resolution 22-19) along with a second amendment on March 22, 2022 (Resolution 22-88). Council is concurrently considering an agenda items to amend the inclusion area for District Nos 1-3 and to approve a service plan precedent to creating four new metropolitan districts for latter phases of the business park development.

**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.

Present and future property owners within the District will not be burdened with debt service mill levies of the District higher than the cap of 37.0 mills being pledged to this debt by the bond documents. The Service Plan contains a "Gallagher adjusted" maximum debt service levy of 50 mills for District Nos. 1, 2 and 3.

The draft City Council resolution authorizing this debt issuance contains language allowing for a not-to-exceed contingency amount of up to approximately 10% greater than the currently anticipated combined amount of about \$99 Million (\$109 Million).

**City Council Appointed Board/Commission/Committee 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. The Airport Advisory Commission has been generally kept apprised of business park development and district financing activities.

**Alternatives:**

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

**Proposed Motion:**

Move to adopt a resolution authorizing Peak Metropolitan District No. 3 to Issue debt in the form of Limited Tax General Obligation Bonds Series 2022A-1 and Limited Tax General Obligation Bonds

Convertible Capital Appreciation Bonds, Series 2022A-2 in an amount not to exceed \$109,000,000 for properties in the Airport business park.

N/A