



Legislation Text

File #: 16-500, **Version:** 3

Ordinance No. 16-94 authorizing the execution and delivery by the City of Colorado Springs (City) of a site lease between the City as lessor and a financial institution to be identified, and, in connection therewith, a lease purchase agreement between the City, as lessee, and such financial institution, with respect to certain real property for the purpose of financing the construction and improvement of a police substation; authorizing officials of the City to take all action necessary to carry out the transactions contemplated hereby and providing for related matters

Presenter:

Kara Skinner, Chief Financial Officer
Tom Florczak, Deputy City Attorney

Summary:

The City is requesting approval to finance, through a lease/lease-purchase agreement, the construction and improvement of the new Sand Creek Police Substation. The attached ordinance approves a lease/lease purchase agreement within specific parameters: principal amount not to exceed \$14 million, an interest rate not to exceed 3.0%, and a term not to exceed 10 years. The financial institution proposal the City has selected, Bank of America Merrill Lynch, uses the following pricing formula: Index Rate + Margin. The Index Rate is based upon the 6-year and 7-year LIBOR Swap Rates and the Margin is 40 basis points. At the time of proposal, the total interest rate was 1.61% (1.21%+0.40%). The actual interest rate and will be locked two days prior to closing.

Previous Council Action:

On August 22, 2016, City staff briefed City Council on the proposed lease/lease-purchase agreement. At that time, the City was awaiting proposals in response to a competitive Request for Proposals led by RBC, the City's direct placement agent for the proposed transaction.

On August 11, 2015, City Council approved Resolution No. 80-15 authorizing the acquisition of land for a new, more appropriately sized Sand Creek Police Substation (Substation).

On November 25, 2015, City Council approved the original 2016 Budget per Ordinance No. 15-86, which appropriated \$400,000 in the 2016 Capital Improvement Program budget to begin architectural design work on the Substation.

On August 9, 2016, City Council initially considered an ordinance amending Ordinance No. 15-86 (2016 Appropriation Ordinance) for a supplemental appropriation to the public safety sales tax (PSST) fund in the amount of \$3,200,000 for public safety projects, including \$850,000 additional Substation funding to allow the City to enter into a contractual agreement with a qualified architectural and engineering design firm that has previous experience in designing law enforcement

facilities that can serve as a consultant through the construction process.

Background:

The current Substation was built in 1988 and opened for service in 1989. Since the Substation opening, it has been necessary to increase the number of staff members who work out of this facility to properly respond to the calls for service. Despite multiple reconfigurations and remodels of the existing facility, this building can no longer adequately accommodate the operational needs of the area.

The design will incorporate the best design features of the Stetson Hills and Gold Hill substations with enhancements to certain features as necessary to meet the needs of the community and the employees who serve it. It is anticipated that the new building will have an approximate footprint of 43,000 square feet (Gold Hill - 33,428 square feet) It should house two community rooms, a large public lobby, multiple interview rooms for officers to take citizen complaints or victim statements in privacy, and a fingerprinting room to serve the public. Within the structure, emphasis on officer safety and security will be a priority. The architectural design should allow for a complex that is functional, sustainable, flexible, and adaptable for the next 30-50 years.

Substituted versions of the site lease and lease purchase agreement have been presented to Council as of September 19, 2016. These documents reflect minor revisions to the instruments to insert the name of the Investor (a related entity of Bank of America Merrill Lynch); make clarifications requested by the Investor; clarify that in the event of breach or failure to appropriate by City, the costs and expenses of Investor with releasing the property are recoverable; provided that jury trial is not available for disputes arising from the lease; extending the site lease from a maximum term of 15 years to 17 years; and making technical changes relating to protection against mechanics liens. All of these changes remain within the transaction authorized by the Ordinance before City Council.

Financial Implications:

The proposed lease/lease-purchase transaction will be for an amount up to \$14,000,000 with an interest rate not to exceed 3.0%. The lease/lease-purchase shall terminate no later than December 31, 2027. The final amounts will be determined at closing. The interest rate will be set by the following pricing formula: Index Rate + Margin. The Index Rate is based upon the 6-year and 7-year LIBOR Swap Rates and the Margin Rate is 40 basis points. At the time of proposal, the interest rate was 1.61% (1.21%+0.40%). The actual interest rate and will be locked two days prior to closing. With the goal to keep payments at \$1.5 million per year or less for 10 years, we expect the project fund will be between \$13.3 million and \$13.5 million.

The estimated cost of the construction and improvements of the Substation is \$15,500,000, which will be funded by the lease/lease-purchase proceeds, General Fund, and PSST fund.

Board/Commission Recommendation:

N/A

Stakeholder Process:

N/A

Alternatives:

N/A

Proposed Motion:

Move approval of an ordinance authorizing the execution and delivery by the City of Colorado Springs (City) of a site lease between the City as lessor and a financial institution to be identified, and, in connection therewith, a lease purchase agreement between the City, as lessee, and such financial institution, with respect to certain real property for the purpose of financing the construction and improvement of a police substation; authorizing officials of the City to take all action necessary to carry out the transactions contemplated hereby and providing for related matters.

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