City Hall
107 N. Nevada Avenue
Colorado Springs, CO 80903

Legislation Text

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Authorization of Creekwalk Marketplace Business Improvement District to issue debt in the form of Series 2019A and Series 2019B Limited Tax Supported and Special Revenue Bonds.

(Legislative Item)

Presenter:
Carl Schueler, Comprehensive Planning Manager, Planning & Community Development

Summary:
This is a request to approve issuance of debt by the Creekwalk Marketplace Business improvement District ("District") in the form of Series A and Series B 2019 bonds, to be repaid from a combination of limited property tax, public improvement fee (PIF) and property and sales tax increment financing (TIF) revenues. The Series A bonds will be in the approximate principal amount of $18,145,000 and the subordinate Series B bonds will be in the approximate principal amount of $3,030,000. The City's Special District Policy and the District's approved Operating Plan and Budget require that City Council's approval be obtained prior to issuing any debt. 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 Section 7-100.

On April 22, 2019, this item was introduced at a Council Work Session at which time Council was apprised of a request to exclude three (3) parcels currently included in the BID boundaries. There is a separate and discrete statutory process Council needs to follow for those requests. However, City Council did ask for a summary or the potential financial impacts these exclusions if they were to be approved by Council. This summary was provided by the BID on May 7, 2019, and is attached. The impact of these potential exclusions has been calculated to be a reduction of $385,000 against the par amount of the bonds. The BID is requesting that the full debt amount be authorized at this time, with contingencies in place in the event conditions change prior to issuance.

This item will be presented for action at the May 14, 2019 City Council meeting.

Previous Council Action:
The BID was established pursuant to Ordinance 16-18 adopted by Council on February 23, 2016, which Ordinance approved the initial operating plan and budget ("Operating Plan") for the BID. An additional Council- approved an inclusion of property occurred on September 26, 2017 (Ordinance 17 -87). On February 27, 2018 City Council approved an Ordinance 18-10 including more property into this BID. The most recent inclusions of property were approved by Council on March 26, 2019 (Ordinance 19-19). The BID's Operating Plan has been approved annually since that time in accordance with Section 31-25-1211, C.R.S., and most recently in October 2018. Council has not approved issuance of any other debt by this BID.

Background:

BIDs are created under Colorado Statute and City Policy to finance and/or maintain certain public improvements in non-residential areas, utilizing a property tax mill levy as the revenue source. BIDs are separate legal entities from the City, but their Operating Plans and the Special District Policy require City Council approval of all formal BID debt. The standard of review of the debt instruments is consistency with the Operating Plan and all applicable laws. The District's original 2016 Operating Plan and Budget and subsequent annually-approved Operating Plan and Budget stipulate a maximum of $50,000,000 in indebtedness unless the District obtains City Council's approval of an amendment to the Operating Plan.

This BID is authorized to levy up to 50.0 mills for debt service, and 10.0 mills for operational purposes, and these mill levies are currently in place for properties within this BID. This will be the first issuance of debt by this District; however it has accumulated developer advances.

The issuance of this debt is generally anticipated in the 2019 Operating Plan and Budget for this BID (as approved by City Council in October 2018).

The draft forms of the bonds are attached. This debt is anticipated to be in the form of marketed bonds. The issuance is being separated in two bonds in order to enhance the revenue "coverage ratio" for the Series A Bonds, while maximizing the total amount of debt that can be issued at this time. The Series A Bonds will have an anticipated interest rate of approximately 5.5%, with subordinate Series B Bonds having an anticipated interest rate of 7.75% (actual rates will be determined after marketing and closing on the bonds). The bond documents allow for a 50-mill debt service cap, which is equal to the City Council- authorized maximum cap. A PIF of 2.5% will also be pledged as revenue to service this debt, along with urban renewal area sales tax TIF (tax increment financing) revenues of 1.75% until 2020 and 1.5% for the following 20 years.

The Series B bonds are being negotiated to have a relatively early redemption call date, such that they could potentially be refinanced at lower interest rate assuming improved coverage rates and subject to future interest rate conditions.

The term of these bonds will be 30 years, with a final maturity date of 2048. The improvements to be financed have been selected from among a larger list of costs determined by the District to be eligible for reimbursement and are summarized in an attachment. These costs predominantly consist of parking, street, sidewalks and curb, street lights, landscaping, pavement, and water line improvements. In determining eligibility of public improvements for reimbursement, it is noted that a cooperation agreement is place which requires, giving the Urban Renewal Board authority to sign off on each requisition. Furthermore, there is funding priority established by this agreement whereby, payments must first be allocated to widening of Cheyenne Road, Nevada Avenue eastside landscaping and utility undergrounding. Documentation recently provided by the District identifies substantial public parking improvements as part of the package. BID representatives have stated that these would pertain to surface parking lot facilities to include land acquisition costs.

Financial Implications:

Pursuant to the District's operating plan, the City Special District Policy, bond documents, the issuance of this debt does not constitute a financial obligation of the City. The documents will contain the limitations required by the City's Special District Policy. City Charter Section 7-100 provides that the total debt of any special district may not exceed ten percent (10%) of the total assessed valuation of the taxable property within the district unless such debt is approved by at least a two-thirds vote of the entire Council.

The bond documents are structured so that any risk beyond the maximum capped mill levy, the associated specific ownership tax as well as the TIF and PIF requirements, will not accrue to the property owners.

Board/Commission Recommendation:

The City's staff-level Special District Committee has been provided copies of these materials. All comments received have been in support and/or with no stated concerns.

This item was presented to the City Council Budget Committee on April 9, 2019. They had questions about the use of the bond proceeds and the need for (financial efficiency) of the subordinate bond (see above).

Because there is an overlapping urban renewal area and a pledge of tax increment financing (TIF) revenues, the Urban Renewal Authority Board has been involved in this process. On April 24, 2019 this Board took action to approve the urban renewal TIF pledge subject to the provisions of their cooperation agreement and with the further understanding that the funding of the priority projects subject to that agreement will be funded in total in the event revenues were less than anticipated (for example in the case of a property exclusion).

Stakeholder Process:

N/A

Alternatives:

City Council could choose to approve, deny or modify the proposed resolution.

Proposed Motion: (for May 14, 2019)

Move adoption of the resolution authorizing the Creekwalk Marketplace Business Improvement District to issue debt in the form of Series A Limited Property Tax and Public Improvement Fee Revenue Bonds in the approximate amount of $18,145,000 and Series B Limited Property Tax and Public Improvement Fee Revenue Subordinate Bonds in the approximate amount of $3,030,000,