



Legislation Text

File #: 19-446, **Version:** 2

A proposed 2020 Operating Plan and Budget for the USAFA Visitors Center Business Improvement District

Presenter:

Carl Schueler, Comprehensive Planning Manager

Summary:

The USAFA Visitors Center 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 2020 Operating Plan and Budget for the BID.

An amended 2019 Operating Plan and Budget for this BID is being concurrently processed with this 2020 Operating Plan and Budget, in order to authorize the BID to undertake certain desired activities prior to 2019 year-end. The proposed 2019 and 2020 plans largely mirror each other.

The District's Accountant acknowledges a discrepancy in the Accountant's Compilation Report - Summary of Significant Assumptions (Operating Plan - Exhibit F) as compared to the 2020 Operating Plan (Paragraph 6B) and the approved 2018 Operating Plan. This discrepancy, which notes that the City authorized debt in the 2018 Operating plan of up to \$450,000,000, will be corrected in next year's report. As a point of clarification the District voters approved the \$450,000,000 maximum debt while the City approved a \$22,000,000 debt limit in the original August 2018 Council approval motion.

Previous Council Action:

City Council approved creation of this BID in 2018 (Ordinance No. 18-77). In March 2019 Council approved the annexation of area known as USAFA Annexation Addition No. 1 and No. 2 consisting of 183.13 acres (Ordinance 19-16 and 19-17). Council approved an urban renewal plan for this project site on July 9, 2019 by Resolution No. 61-19. On October 8, 2019, City Council voted on first reading to approve ordinances including approximately 36.1 acres into this BID, and to exclude the originally included 1.705 acre interim boundary parcel.

This item was introduced at a City Council Work Session on October 7, 2019. At this Work Session discussion focused on language in the original 2020 Operating Plan and Budget contemplating a maximum debt authorization of up to \$87,000,000, as compared to the limit of \$22,000,000 included in the original August 2018 Council approval motion. There was then considerable further discussion of the debt issuance topic at the October 8, 2019 City Council Budget Committee meeting (as further described in the related debt authorization item on today's agenda).

Subsequent to the October 7, 2019 Work Session the District has agreed to reduce their requested maximum debt authorization from \$87,000,000 to no more than \$80,000,000. A revised Operating

Plan and Budget is attached that includes this change along with a revision to the 2020 beginning fund balance for the Debt Service fund.

Background:

The District was organized in 2018, a special election for the District, consisting of debt and related issues and questions was held on November 6, 2018. The boundaries of this development-specific BID were established initially to include 1.705 acres in the Briargate area that are located within the boundaries of the City. The entire "Project" area was intended to include a 57-acre area encompassing a 36.1-acre commercial mixed-use development Property proposed to be located near the north entrance to the United States Air Force Academy. This project site was subsequently annexed into the boundaries of the City in March 2019. The northerly (and currently non-developable) remainder of the 57-acre property is not included in the District at this time but could be included into the District at a later date.

The initial members of the District's board were appointed by City Council, and pursuant to the Operating Plan the District will request approval of a new board member when a qualified candidate for the Board of Directors is identified, for a total of five board members. The 2020 Operating Plan continues to require that the Board of Directors become an elected body no later than 2022.

The District's primary purpose continues to be to provide for the financing, acquisition, construction, completion, installation, replacement and/or operation and maintenance of the services necessary to support the development of a 36.1-acre commercial mixed-use development located near the north entrance to the United States Air Force Academy. It is worth noting that the 2020 Operating Plan was due to the City on September 30, 2019, at that time the 2019 inclusion and exclusion Ordinances were still pending. Therefore, the 2020 Operating Plan continues to note that if the Property is not annexed into the City and the proposed 36.1 acre property is not included within the boundaries of the District on or before December 31, 2021, the District shall be dissolved. Further, the 2020 Operating Plan acknowledges that the District is expressly prohibited from owning any property or improvements, providing any services, issuing any debt or other financial obligations, or imposing any ad valorem property taxes, fees or assessments unless and until the Property is annexed into the City and included within the District boundaries.

The pending 2019 inclusion and exclusion Ordinances contain contingencies that delays their final execution and recording until such time as the developer's Enhanced Use Lease (EUL) with the Air Force has been executed. Assuming this step takes place, and the property inclusions are completed, the BID would be authorized to perform its full functions including, but not limited to, certification of a mill levy and issuance of debt.

The 2020 Operating Plans continues to permit the BID to enter into an advance and reimbursement agreement with the Developer for the purpose of facilitating the funding of the District's design, planning and development of infrastructure that will enable the Developer to offer the project to prospective tenants, and to enable the District to function operationally on its own. Staff notes that reimbursement agreements do represent financial obligations, but do not constitute formal debt. Therefore, in the event the project ended up not going forward, there effectively would be no obligation to the District or to any affected taxpayers

In addition to the previously mentioned advance and reimbursement agreement the District is currently negotiating several agreements in anticipation of the commencing development activities

including, but not limited to; (1) a site development lease referred to as the Enhanced Use Lease (EUL) with the USAF; and (2) possible related development agreements, revenue sharing agreements, infrastructure funding agreements, and construction contracts.

This Operating Plan and Budget is provided in a format consistent with the standard template approved by Council in August 2014 for these documents.

Financial Implications:

The District does not have any existing debt, but is in the process of seeking authorization for late 2019 or early 2020 bond issuances in an aggregated amount of up to \$80,000,000. The original 2018 motion approving the ordinance creating this BID stipulated a maximum debt limit of no more than \$22,000,000. The BID is now proposing to increase the aggregate limit to no more than \$80,000,000 based on currently anticipated overall debt issuance plans.

The attached budget includes a \$170,000 developer advance to fund items related to preparations for construction activities.

This Operating Plan anticipates that the District will impose a debt service mill levy of 50 mills and an operation and maintenance mill levy of 10 mills to support the District beginning in 2019 for collection in 2020. In addition, it is anticipated that the District may facilitate the imposition of public improvement fees (PIFs) on all taxable sales and lodging within the project to fund the District's debt service, operation and maintenance obligations, and to perform the obligations under the Enhanced Use Lease (EUL) that are assumed by the District. The amount of this PIF is expected to be 3.0% for retail sales and services and 2.0% for lodging.

As a separate legal entity, the financial activities of the BID are separate from those of the City. Any financial obligations are specifically associated with the properties within the BID boundaries and do not constitute an obligation of the City.

Board/Commission Recommendation:

The BID Board of Directors recommends City Council's approval of the 2020 Operating Plan and Budget.

Stakeholder Process:

N/A

Alternatives:

N/A

Proposed Motion:

Move to approve the proposed 2020 Operating Plan and Budget for the USAFA Visitors Center Business Improvement District.

N/A