



Legislation Text

File #: 21-394, **Version:** 2

Approval of the Proposed 2022 Operating Plan and Budget for the Creekwalk Marketplace Business Improvement District

Presenter:

Carl Schueler, Planning Manager - Comprehensive Planning

Summary:

The Creekwalk Marketplace 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.

This Operating Plan and Budget indicates this BID will continue with the installation of public improvements in connection with the urban renewal project area in 2022. In addition, the District is planning on adding properties and issuing additional bonds in late 2021 or early 2022. There is also a related process underway to potentially modify the terms of the current sales tax sharing agreement with the overlying urban renewal area. Staff notes the available debt service fund for this BID is being utilized to meet a significant proportion of bond interest payments.

Background:

The initial boundaries of this development-specific BID were established pursuant to an election in 2016 with additional properties added in 2017, 2018 and 2019 for total of 6.44 acres. As stated in the Operating Plan, the BID expects to include future additional properties as additional property owners participate in the District. Under State statute, any such inclusions must be approved by separate City Council ordinance. This BID has a 5-member elected board comprised of individuals associated with this redevelopment project. The District is authorized to provide the acquisition and financing of improvements, construction of improvements, operation and maintenance of parking facilities, roadways, lighting, driveways, public utilities, and landscaping.

Pursuant to the Urban Renewal Plan, the City-Authority Agreement, the Redevelopment Agreement, and the Cooperation Agreement, dated July 26, 2019, with the Colorado Springs Urban Renewal Authority ("CSURA"), the District will receive tax increment financing ("TIF") generated from the District's project to be used toward the repayment of the District's bonds.

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 the creation of this BID in 2016 (Ordinance No. 16-18). Council subsequently approved ordinances to include additional property on September 26, 2017 (Ordinance No. 17-87), February 27, 2018 (Ordinance No. 18-10), and March 12, 2019 (Ordinance 19-19). In May 2019

Council denied a petition requesting exclusion of a property from this BID that had previously been voluntarily petitioned for inclusion. Following this decision Council approved the issuance of debt in principal amounts of approximately \$18,145,000 as Series 2019A and \$3,030,000 as subordinate Series 2019B Limited Tax Supported and Special Revenue Bonds (Resolution No. 51-19).

The difference between the approved debt of approximately \$21,175,000 and the actual bond issuance of \$26,730,000 was discussed at length at the October 2019 City Council meeting and was postponed until December. At the December 5th, 2019 meeting it was noted that City Council should have been notified of the District's plan to increase the approved debt issuance by twenty-five percent. In addition, it was noted by Council that further debt issuances should be written with a "not to exceed amount" incorporated into the language.

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 \$24,230,000 as Series 2019A and \$2,500,000 as subordinate Series 2019B Limited Tax Supported and Special Revenue Bonds with interest rates of 5.0% and 8.0% respectively (for a total of \$26,730,000). These bonds were issued for the intended purpose of construction of capital improvements with a public purpose necessary for development.

The 2022 Operating Plan and Budget includes planned Bond issuance of approximately \$15.1 million.

The proposed total mill levy for the BID in 2022 is 51.000 mills (50.000 mills for debt service and 1.000 for operations). This represents no change from 2021. This BID is authorized to certify up to 10.0 mills for operations. This BID also levies a public improvement fee (PIF) of 2.5% on the sale of goods and services. For 2022, \$562,000 in PIF revenues are projected. This District will also receive tax increment financing (TIF) generated from the Districts projects to be used toward the repayment of the District's bonds. For 2022, \$600,000, in CSURA TIF Revenues are projected.

The District has estimated an outstanding developer advance balance of \$771,445 at the end of 2021, which accrues interest at a rate of 8% for advances for operations and 6% for infrastructure. As of December 31, 2020, the accrued interest on the developer advance balance was \$69,506. The 2022 budget includes an additional developer advance to fund operations of \$97,800.

Staff notes that the 2022 beginning debt service fund balance for this BID is expected to be about \$2.2M and with a transfer in of \$3,574,000 from bond proceeds and net bond payment costs, the ending balance is expected to be about \$4.7M which includes the maintenance of required debt service reserves. Although a considerable cushion will remain, assessed valuation (AV) within this BID will need to increase considerably in the next several years in order to keep bond payments current.

The District has responded that, the issued debt was sized to be consistent with revenues available from currently included properties, assuming they are fully developed or redeveloped, as anticipated. Staff notes that revenues associated with anticipated future property inclusions could be used to enhance the servicing of the existing debt, support the issuance additional debt, or some combination.

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.

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 Creekwalk Marketplace Business Improvement District.

N/A