



## Legislation Text

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A resolution of the City Council of the City of Colorado Springs, Colorado approving the issuance of Gold Hill Mesa No. 2 Metropolitan District Limited Tax General Obligation Bonds Series 2022(A) in an amount not to exceed \$16,000,000 and Limited Tax General Obligation Bonds Series 2022(B) in an amount not to exceed \$6,700,000 located south of Highway 24 and east of 21<sup>st</sup> Street

### **Presenter:**

Hannah Van Nimwegen, Senior Planner, Planning & Community Development Department  
Peter Wysocki, Planning and Community Development Director

### **Summary:**

This is a request to approve issuance of two Limited Tax General Obligation Bonds: a \$14,415,000 (not to exceed \$16,000,000) Series 2022(A) (senior) bond, and a \$6,100,000 (not to exceed \$6,700,000) Series 2022(B) (subordinate) bond to be repaid from a combination of property tax and associated revenues. The City's Special District Policy and the District's service plan require that City Council's approval be obtained prior to issuing any debt.

The senior bond will be used to refinance previously issued debt from 2011 and 2015 as well as to generate additional funds to reimburse public improvements costs not previously financed. The subordinate bond will be all new money for the District with its proceeds used to reimburse additional qualifying costs.

Both sets of bonds are anticipated to be tax-exempt and externally marketed with the senior bond expected to carry an interest rate of about 5.0% (with the exact rate to be set prior to closing). The interest rate for the subordinate bond is expected to be about 5.5%.

Approval of this debt issuance will require a two-thirds majority of the entire City Council (at least six affirmative votes) due to the requested authorization exceeding 10% of the existing valuation of the property as required by City Charter Article 7-100.

This agenda item was presented at the February 22, 2022, City Council Budget Committee meeting where there was substantial conversation, and as a result, this item was brought back to the Budget Committee on March 8, 2022 for further discussion. Both meetings are summarized in further sections of this report. This item was presented at the March 21, 2022 City Council Work Session. Largely, support for the refinancing was voiced, with Councilor Murray expressing a general opposition to the use of B bonds.

This property is located in Council District No. 3.

### **Background:**

The Gold Hill Mesa project is a model redevelopment project that transformed a vacant, blighted site

at the Eastern gateway to Colorado Springs to a thriving neighborhood. Gold Hill Mesa faced costs typically not associated with new development to ensure that all state and federal environmental remediation requirements were met or exceeded. Those costs continue as the project nears its completion.

The Gold Hill Mesa Nos. 1, 2, and 3 Metropolitan Districts were originally created in 2006 under a consolidated service plan. The districts provide financing and a source of reimbursement for qualifying public improvements within this approximately 114-acre portion of the Gold Hill Mesa development. This portion of Gold Hill Mesa is platted for 627 residential lots and is nearing build-out with a few lots remaining for residential development.

The senior bond has an anticipated maturity date of December 1, 2048, aligning with the bond's required discharge date. The subordinate bond has an anticipated maturity date of December 15, 2043, five years earlier than the required discharge date of December 1, 2048. The discharge dates are built into the Council resolution. They correspond with the 40-year Maximum Debt Service Mill Levy Imposition Term required for residential metropolitan districts.

The anticipated par amount of the senior bond is \$14,415,000, and the anticipated par amount for the subordinate bond is \$6,100,000. The Council resolution includes "not-to-exceed" caps of \$16,000,000 and \$6,700,000 for the two bonds respectively.

The debt service mill levy available to service these bonds is limited to a "Gallagher adjusted" 30 mills with an operating mill levy of 10 mills as outlined in the 2006 consolidated service plan. This service plan also permits a combined total debt issuance limitation of \$57,000,000 for the three districts.

Both bonds will be structured to be "callable", such that a future potentially resident board might be in a position to refinance these obligations subject to future financial conditions. The call date for the senior bond is June 1, 2032, and it is June 1, 2027 for the subordinate bond.

As noted under previous Council actions, new Gold Hill North districts have recently been created to serve the northerly area of this project. The larger original boundaries of this district have been scaled back from their original extent. This property is also located in an urban renewal area, which has also been scaled back from its original boundaries.

A financial plan and projections are attached to this memo.

The City Council Budget Committee discussed this request on February 22, 2022. A number of questions were asked and concerns were voiced. Generally, there was a request for clarity on what the new money generated by the bonds would be used for, and what improvements are being reimbursed to the developer. This information had been included in an applicant presentation available within the packet but had not been presented to the Committee at this meeting. It was asked if the issuance of new money would extend the timeline for how long people are being taxed, and if it would change the amount residents are currently taxed. The breakdown of the existing metro district board was also requested as was information on the cost to the developer to issue the bonds. Responses to these questions will be presented in Work Session meeting and incorporated in the memo for the formal City Council hearing.

Because of the requests and questions, staff scheduled the item for the following City Council Budget Committee on March 8, 2022. At this meeting, the applicant presented information to address the Committee's questions. Primarily, the applicant outlined the costs not previously financed that the additional funds would cover. The applicant also clarified the contractual obligation between the three metro districts established by the 2006 Service Plan to reimburse costs across filings of the development. The applicant also clarified the subject requests will not change the amount residents are taxed or how long they will be taxed. Following the presentation and clarifications, the Budget Committee had no additional questions and were comfortable with the requests moving forward to the March 21, 2022 City Council Work Session meeting.

Included as attachments are the following documents:

- City Council resolution
- Financial plan and projections
- District bond resolution
- Draft indentures for both the senior and subordinate bonds
- General counsel opinion letter
- Draft bond counsel opinion letters for both senior and subordinate bonds
- Applicant presentation which includes a summary of costs to be reimbursed

#### **Financial Implications:**

Pursuant to the District's Service Plan, the City Special District Policy, and the loan documents, the issuance of this debt does not constitute a financial obligation of the City. The documents will contain the "limited default" provisions required by the City's Special District Policy. These bonds will be marketed to third party investors.

The bond resolution/indenture is structured so that any risk beyond the maximum capped mill levy and the associated specific ownership tax will not accrue to the property owners.

City Charter Article 7-100 requires that the total debt of any proposed district shall not exceed ten percent (10%) of the total assessed valuation of the taxable property within the District unless approved by at least a two-thirds vote of the entire Council.

#### **Board/Commission 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, there have been no comments or questions from the Committee on this request.

#### **Previous Council Action:**

City Council approved a consolidated service plan for the Gold Hill Mesa Nos. 1, 2, and 3 Metropolitan Districts (Resolution 99-06), on July 11, 2006. Council authorized the prior debt issuances in 2011 and in 2015. In 2021 Council also approved a service plan for the Gold Hill North Metropolitan Districts along with an Operating Plan and Budget for the Gold Hills North Business Improvement District. These new districts will serve the newer development in the northern part of Gold Hill Mesa.

**Alternatives:**

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

**Proposed Motion:**

Move adoption of the resolution approving the authorization for the Gold Hill Mesa No. 2 Metropolitan District to issue debt in the form of General Obligation Limited Tax Bonds Series 2022(A) in an amount not to exceed \$16,000,000 and Limited Tax General Obligation Bonds Series 2022(B) in an amount not to exceed \$6,700,000.

N/A