



## Legislation Text

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**File #:** 22-191, **Version:** 1

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A resolution of the City Council of the City of Colorado Springs, Colorado authorizing Colorado Crossing Metropolitan District No. 2 to issue debt in the form of Special Improvement District No. 1 and No. 2 Special Assessment Revenue Bonds in an aggregate principal amount not to exceed \$12,000,000 for a project located in the vicinity of Interquest Parkway and Interstate 25

**Presenter:**

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**Summary:**

The attached resolution will approve the issuance by the Colorado Crossing Metropolitan District No. 2 ("the District") of special assessment revenue bonds in an aggregate principal amount anticipated to be \$10,645,961, with the total not to exceed \$12,000,000.

The District is proposing to issue this debt based on proceeds from two special improvement districts (SIDs), which would be created within Colorado Crossing Metropolitan District No. 2, pending approval of a service plan amendment. These assessments would be collected prior to occupancy of the residential units within these SIDs.

These bonds will be marketed and have estimated annual interest rates of 4.5%, with the actual rate set prior to closing.

The City's Special District Policy requires that City Council approval be obtained prior to issuing of any formal debt for metropolitan districts. These bond issues are contemplated by the District's Council-approved service plan. Copies of the bond documents and associated supporting materials are attached.

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 Article 7-100

These metropolitan districts are located in Council District No. 2, and the project is commonly referred to as Victory Ridge. The developer is Westside Development Partners.

This item has been discussed at the City Council Budget Committee meeting on March 22, 2022 (refer to summary provided later in this memo).

**Notes:**

- Immediately preceding this agenda item is a request for fourth amendment of the service plan for the Colorado Crossing Metropolitan District Nos. 1-3 to specifically authorize creation of the intended SIDs and to increase the combined maximum authorized debt for these metropolitan districts from \$50,000,000 to \$72,000,000. Approval of this debt issuance item would be

contingent on approval of the prior item.

- Staff and applicant PowerPoint presentations pertaining to this item and the prior agenda item, are included with the prior item.

**Background:**

Metropolitan districts are created under Colorado Statute and City Policy to finance and/or maintain certain public improvements in commercial and residential areas primarily utilizing a property tax mill levy as the revenue source. These districts are a separate legal entity from the City, with independently elected boards.

These special improvement district (SID) bonds would be specific to two proposed SIDs proposed to be created within Colorado Crossing Metropolitan District No. 2. The bonds which are expected to be in the combined amount of about \$10,646,000 would be secured by assessments tied to building permits for the residential units within the SIDs. Associated liens, if any, would be removed prior to occupancy of units by end users. Although the term of these bonds is set for 2041, it is anticipated they would be largely or wholly paid off within as little as a few years.

In this multiple district structure, as approved in the original 2006 service plan, District No. 1 has been functioning as the operating district and director's parcel, District No. 2 functions as the residential district, and District No. 3 is the commercial district. The Districts now propose to modify the use of District No. 1 to eventually include developing properties originally included a part of District No. 2, if and when their land uses may convert from residential to non-residential purposes. The overall boundaries of these Districts have also been modified from those in the original plan, as a result of recent exclusions of property from District No. 3.

Around the 2018 timeframe, the Districts executed a series of inclusions and exclusions that have resulted in two parcels owned by In-N-Out Burgers being excluded from District No.3. However, these properties continue to have a responsibility for paying their share of the existing 2017 debt as it may be refinanced with the 2020A-1 bonds.

District No. 2 is authorized by the service plan and City Policy to levy up to 40.0 total mills (Gallagher Adjusted) in property tax (30.0 for debt service and 10.0 for operations and maintenance). As commercial districts, Districts No. 1 and 3 are authorized to levy up to 70.0 mills (50.0 for debt service and 20.0 for operations).

At this time, the existing mill levies are as follows:

District No. 1	29.513 mills
District No. 2	40.649 mills
District No. 3	70.0 mills
Districts 1 and 2 when overlapping	50.0 mills
The remaining mill levy for the excluded parcels is 23.5 mills	

This mixed-use development in the Colorado Crossing area has been actively developing in the last few years after a protracted period of financial difficulty beginning in about 2008. Recently, approved development plans for the southeastern part of the project have been modified significantly in

response to a change in plans for what had originally been intended to be a large “Field of Dreams” sports complex.

Included as attachments are the following documents:

- Draft Council resolution
- Applicant Budget Committee presentation
- Transmittal letter
- Term sheet
- Draft indenture
- Draft district counsel opinion
- Applicant response regarding impact of assessments and borrowing rates on related home prices.

This item was discussed by the City Council Budget Committee on March 22, 2022, in conjunction with the related service plan amendment item, with a comprehensive presentation provided by the applicants. There were a number of clarifying questions asked, along with a request for a simple analysis of the impact the use of this financing option could have on borrowing costs and/or ultimate housing costs. Please see the attachment.

**Previous Council Action:**

Mixed use PUD zoning and concept plan for the Colorado Crossing development were approved in 2005. In 2006, City Council approved a consolidated service plan (“Original Service Plan”) for the Districts (Resolution 126-06). On October 25, 2016, Council approved a first amendment of this service plan to allow ownership and operation of a parking structure by these Districts (Resolution 111-16). On February 14, 2017, Council authorized issuance of up to \$15,000,000 in general obligation bonds for District No. 2 (Resolution 57-17). On December 11, 2018, Council approved a second amendment of this service plan to authorized maintenance of district- owned streets (Resolution 157-18). On November 10, 2020, Council approved a third amendment of this service plan to authorize an increase in the overall debt authorization for these districts from \$35,000,000 to \$50,000,000 (Resolution 105-20). On this same date, Council authorized a further issuance of debt by these Districts (Resolution 106-20).

**Financial Implications:**

Pursuant to the District service plan, the City Special District Policy, and the bond documents themselves, the issuance of these bonds does not constitute a financial obligation of the City. The bond documents contain the limitations required by the City’s Special District Policy. A draft opinion has been provided by the bond counsel for this metropolitan district, that the bond documents are consistent with the approved service plan and with the City Special District Policy.

**City Council Appointed Board/Commission/Committee 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 no comments have been received.

**Alternatives:**

City Council could choose to approve, not approve or modify the proposed resolution.

**Proposed Motion:**

Approve a resolution of the City Council of the City of Colorado Springs, Colorado authorizing Colorado Crossing Metropolitan District No. 2 to issue debt in the form of Special Improvement District No. 1 and No. 2 Special Assessment Revenue Bonds in an aggregate principal amount not to exceed \$12,000,000 for a project located in the vicinity of Interquest Parkway and Interstate 25

N/A