

Consideration of Purchase of the BCH Site



SEPTEMBER 15, 2015

Balsam Ave

1100 Balsam Avenue
Main hospital facility,
295,000 sq ft
404 surface parking spots

Broadway

Alpine Ave

1155 Alpine Avenue
Medical pavillion
64,000 sq ft

1136 Alpine Avenue
Brenton Building
21,0532 sq ft

1135 North St
5,345 sq ft

1125 North St
5,345 sq ft

2655 Broadway
Offices/Parking Garage
407 parking spaces

9th Street

10th Street

**Boulder Community Health Facility
Available Properties**
Boulder County assessed value of
approximately \$56.3 million

Specific Items Unique for Proposed Financing of This Project



- Very stringent tax restrictions for who may benefit when tax exempt financing is used to purchase or improve a site.
- Flexibility is needed in the future to be able to partner with anyone in the public, non-profit or the private sector.
- Number of unknowns regarding the eventual use of the site and by whom during the length of the COPs makes it difficult to use tax exempt financing.
- The compressed timing for when the proceeds will be needed.

Proposed Method to Fund the Purchase



- Certificates of Participation: a form of financing used by municipal or government entities which allows an individual to buy a share of the lease revenue of an agreement made by these entities.
 - Sale and lease back purchase of assets
 - Sale proceeds are used to make the purchase of BCH property
 - Annual appropriations made to make annual lease payments
- Different than a Bond – Subject to annual appropriations, thus not a multi-year obligation
- Used previously by the COB
 - 1997 Public Safety Building
 - 1998 East Boulder Recreation Center

Property to be Used as Asset Transfer for Collateral



1. Public Safety Building
 2. East Boulder Community Center
 3. Park Central
- As payments are made, the collateral will be released
 - Public Safety Building will be last
 - The lease does not impede use of or change in the property
 - Collateral of equal value may be substituted later if necessary by following required process

Staff Recommendation – Authorize Use of Parameters Ordinance For Issuance of COPs

If approved, it allows staff to issue the COPs using the following parameters:

1. Competitive sale of taxable COPs
 2. Maximum of \$41M
 3. Maximum annual payments of \$3,750,000
 4. Not extend beyond 2036
 5. Maximum interest rate of 7.0%
- After the pricing, staff informs council of the actual numbers
 - It is expected the actual annual payments and interest rates will be lower
 - Parameters are set higher to account for the volatility in the market

Annual Lease Payments



- Potential sources current and future as site is repurposed or redeveloped
 - General fund revenue increments from property tax
 - Current city revenues
 - **Future sources:**
 - ✦ Rents received from other users on the site
 - Taxable means can come from any source in any amount without restrictions
 - ✦ Sale of part of the site or other assets
 - ✦ Funds currently being used to make leased space for city staff if they are moved to this site

Funding the Annual Lease Payments



- Best Long Range Fiscal Planning is to have a known source to make the payments in the early years before final use of the property is determined and implemented
 - Provides continuing stability in the city budget for current services and programs
 - Provides assurance to the rating agencies that the city has a financial plan and adequate resources to make the annual payments
 - Provides assurance to those who purchase the COPs the annual payments will be made

Staff Recommendation for the Lease Payments



- Valuation increase for property tax be used to pay for the BCH purchase
 - Provides a method to fund this unique opportunity without reducing or eliminating other general fund programs, while continuing to address expanding needs and services in 2016 and the future.
 - ✦ 2008 voters removed the last TABOR restrictions on property tax in COB
 - Credit phased out over multiple years
 - ✦ 5.5% Property tax limit applies to statutory governments not home rule cities

Property Tax



- Represents approximately 21% of GF revenues
- The City is about 13% of a total prop tax bill
 - If not in a GID in the city
- Assessments are based on values around two years old when paid by the taxpayer
- Property values changes were low 2008 to 2014
 - As recovered from the recession including one negative year
- 2016
 - Appeals can still change the final number
 - Up 22%
 - Each 5% increment generates approximately \$1.2M
 - 3% used in the recommended 2016 budget for operations

Property Tax – Impact



Impact of increase on Residential property tax

- For every \$500,000 Fair Market value
- City of Boulder property tax portion

2015	\$477
------	-------

2016	<u>\$582</u>
------	--------------

Difference:	<u>\$105</u>
-------------	--------------

Property Tax – Impact



Impact of increase on Commercial property tax

- For every \$1,000,000 Fair market value
- City of Boulder property tax portion

2015	\$3,474
------	---------

2016	<u>\$4,239</u>
------	----------------

Difference:	<u><u>\$ 765</u></u>
-------------	----------------------

Bylaws for BMPA



- Bylaws adopted decades ago
- Charter updated title of officers that require amendment to Bylaws
- Approving Amended and Restated Bylaws rather than just amending the existing version is more clear and allows use of current legal format for Bylaws

Requested Council Actions



- Pass the Parameters Ordinance
- Approve the conveyance of the property via the Special Warranty Deed
- Approve the lease purchase agreement with BMPA
- Approve the Mortgage and Indenture of Trust
- Approve the Preliminary Official Statement
- Approve the notice of sale
- Approve the continuing disclosure undertaking

Requested BMPA Board Actions



- Approval of the resolution
- Approval of the lease purchase agreement
- Approval of the preliminary official statement
- Approval of the notice of sale

Proposed Schedule

September 15, 2015	Council consideration of ordinance allowing use of Certificates of Participation for purchase of the property
October 15, 2015	Effective date of the ordinance allowing use of COPs
October, 27 2015	Sale of COPs
November, 17 2015	Closing on the COPs
December 3 or 4, 2015	Closing on purchase of BCH property

Questions



1. Does Council have any questions or areas that need further clarification regarding the COPs?
2. Does Council agree with the staff recommendation to use the property tax increment to make the annual lease payments?