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**CITY OF GRAND JUNCTION DOS RIOS GENERAL IMPROVEMENT DISTRICT
WORKSHOP
MONDAY, JANUARY 13, 2020
250 NORTH 5TH STREET – CITY HALL AUDITORIUM
FOLLOWING THE 5:30 P.M. CITY COUNCIL WORKSHOP**

- 1. Discussion Topics**
 - a. Grand Junction Dos Rios General Improvement Debt Discussion
- 2. Next Workshop Topics**
- 3. Other Business**



Grand Junction City Council

Workshop Session

Item #1.a.

Meeting Date: January 13, 2020
Presented By: Greg Caton, City Manager
Department: City Manager's Office
Submitted By: Jodi Romero, Finance Director
Jay Valentine, General Services Director

Information

SUBJECT:

Grand Junction Dos Rios General Improvement Debt Discussion

EXECUTIVE SUMMARY:

The City of Grand Junction Dos Rios General Improvement District (GID) was authorized by the November 4, 2019 election to issue debt. D.A. Davidson is the GID's underwriter and in coordination with City staff has developed a financing and debt issuance plan. Kyle Thomas, Senior Vice President, D.A. Davidson and staff will present this plan to the GID Board.

BACKGROUND OR DETAILED INFORMATION:

By the end of 2020, the City of Grand Junction will leverage significant grant dollars and have invested over \$7.1 million in the Dos Rios area. This includes improvements to the Riverside neighborhood park, trail connection from the neighborhood to Dos Rios, and the addition of a new bicycle playground. The investment also includes infrastructure improvements such as curb, gutter, sidewalk, utilities, property acquisition, site work, and a pedestrian bridge connecting the riverfront with Downtown.

The 2020 Approved GID budget includes a \$10.9 million project to complete the infrastructure and road network in the GID. In order to fund the project, debt will be issued that will be paid back by the property tax mill levy on property owners in the GID as well as the sales and use tax generated in the GID.

The maximum mill levy authorized is 50 mills; however, the required mill levy rate will vary based on the development of the area, and is expected to be significantly lower

than the authorized mill. The Downtown Development Authority (DDA) Board has approved pledging the sales tax and property tax increment funds (TIF) generated in the GID to the debt service. This pledge expires in 2032 when the TIF expires for the DDA. As a refresher: tax increment financing means any revenues (sales or property tax) generated above an established base; and because the area is undeveloped and largely owned by the City, a tax exempt entity, the base is very low for property tax and zero for sales tax.

The current financial model for the GID assumes \$42.2 million in residential development and \$32.4 million in commercial development with 60,000 square feet of retail space. Based on these assumptions, a build-out of three years, and \$11.5 million in annual taxable sales, the required mill is estimated to be 23 mills. The proposed debt issuance is for \$12.9 million in principal to provide \$10.4 million in project funds, establish the debt service reserve, and make the first two year's interest payments. The term is estimated at 30 years at 4.75% interest rate for an average debt service cost of \$732,560 per year. It is expected that the pledged TIF revenues cover approximately 52% of the debt service cost with the GID mill levy covering the remaining 48%. This debt is the sole responsibility of the GID, and even though the City of Grand Junction City Council has authorized the establishment of the GID, the City does not have any liability for the debt. Unlike standard municipal bonds, this type of debt issuance is considered speculative and as such demands a higher rate of return (interest cost to the entity). The GID is pledging limited revenues to the repayment of the bonds which includes up to a 50 mill GID levy, property tax TIF and sales tax TIF generated through the DDA until 2032. The investor accepts a higher risk on the investment because of the higher rate of return. If the development does not occur as projected, it is not uncommon for the debt to be restructured.

The GID is a financing tool for construction of the infrastructure required and the mill levy projection can change based on the pace and value of the vertical development as well as the retail sales tax generated. The financial projections assume that the DDA TIF expires in 2032 and that the GID finances the entire \$10.4 million project. If the City were fund a portion of the GID infrastructure separately, the mill levy required in the GID could be reduced. An extension of the DDA TIF revenues past 2032 could also result in a lower GID mill levy. Following are four options for the Board to consider:

Option A- Issue debt necessary to fund \$10.4 million project, first two years of interest payments, and debt service reserve. Requires 23 mills for the GID properties and property and sales tax TIF until the expiration of the DDA TIF in 2032.

Option B- Issue debt necessary to fund \$8.66 million of the project, first two years of interest payments, and debt service reserve. Lowers the GID mill to 10, but requires \$1.74 million in additional funds for project and property and sales tax TIF until the expiration of the DDA TIF in 2032.

Option C- Issue debt necessary to fund \$10.4 million of the project, first two years of interest payments, and debt service reserve. Lowers the GID mill to 7, but requires the City's property and sales tax TIF beyond the expiration of the DDA TIF in 2032, until the term of the debt in 2049.

Option D- Issue debt necessary to fund \$7.13 million of the project, first two years of interest payments, and debt service reserve. Eliminates the GID mill levy, but requires \$3.267 million in additional funds for project and property and sales tax TIF until the expiration of the DDA TIF in 2032.

| | Option A | Option B | Option C | Option D |
|---|--------------------------|--------------------------|--|-----------------------------------|
| City of Grand Junction Dos Rios General Improvement District Funding Options | GID Mill Levy: 23 | GID Mill Levy: 10 | GID Mill Levy: 7, Extension of City property tax and sales tax share after 2032 | No GID Mill Levy; TIF Only |
| GID Property Tax per \$1,000,000 in Commercial Investment | \$ 6,670 | \$ 2,900 | \$ 2,030 | \$ - |
| GID Property Tax per \$1,000,000 in Residential Investment | \$ 1,645 | \$ 715 | \$ 501 | \$ - |
| Par Amount of Debt Issuance | \$ 12,920,000 | \$ 10,500,000 | \$ 13,575,000 | \$ 9,040,000 |
| First Two Years of Interest Payment and Establish Debt Service Reserve | \$ 2,520,000 | \$ 1,844,000 | \$ 3,175,000 | \$ 1,907,000 |
| Proceeds Available for Infrastructure Project | \$ 10,400,000 | \$ 8,656,000 | \$ 10,400,000 | \$ 7,133,000 |
| Additional Funds Needed for Project | \$ - | \$ 1,744,000 | \$ - | \$ 3,267,000 |

FISCAL IMPACT:

This item is for discussion purposes only.

SUGGESTED ACTION:

This items is for discussion purposes.

Attachments

None