

MEMORANDUM

TO: City Council
FROM: Steve Westbay and Kathy Fogo
DATE: March 8, 2016
RE: Gunnison Rising Metropolitan District – Draft Service Plan

The creation of metropolitan districts within the City is subject to the provisions contained in the *City of Gunnison Municipal Code*, Title 10, (Special Improvement Districts). On January 4, 2016 the City received an application submittal to form metropolitan districts to serve property within the Gunnison Rising annexation. The application submittal included a cover letter and a draft document titled, *Service Plan for Gunnison Rising Metropolitan Districts, City of Gunnison Colorado* (service plan). The service plan establishes “powers” to be used in the governance of the metropolitan district, and details the “financial plan” elements directing the fiduciary operation of the district. On January 29, 2016 the city staff and special legal counsel Jim Collins, conducted a phone conference with consultants representing Gunnison Valley Properties to discuss the merits and issues of the draft Service Plan. On February 22nd the city received a revised service plan draft – the staff and legal counsel have reviewed that version and provided the applicant with comments. The applicant submitted an updated document on March 3rd to be included in the Council packet, and this memorandum summarizes primary details of the latest proposed special district service plan.

Primary contents of the draft service plan include the Descriptions of Proposed Powers Improvements and Services (Section V). Proposed powers to be granted under the service plan are consistent with the powers that are granted by the Colorado Revised Statutes. Please note that any future changes to the established powers of the Gunnison Rising Districts are, for the most part, subject to review and discretionary approval by the City.

The Council is being asked to consider the inclusion of an additional power to enact a “Public Improvement Fee (PIF). A PIF is a fee that developers may require tenants to collect on sales transactions to pay for on-site improvements and it is used to repay debt service associated with infrastructure installation and funding operations of the district. Based on previous plan versions, it is anticipated the applicant will propose a PIF at 1.55%, with the City agreeing to reduce the 4.0% sales tax to 2.45% derived from businesses within the district boundary. Significant financial implications to the City revenues are probable and to date the City has not received a financial analysis that allows staff to evaluate its effects. City staff recommends that any reference to the PIF not be included in the final service plan at this time.

The other major service plan content section is the Financial Plan (Section VI). This section sets forth the districts’ authorization to provide for planning, design, acquisition, construction, installation, relocation and/or redevelopment of the Public Improvements from revenues and by and through the proceeds of Debit to be issued by the Districts.

One concern of the Financial Plan section is associated with the proposed aggregate mill levy in excess of 35 mills. There are many examples of developments that have been burdened with significant mill levy caps which have affected the market value to a point where the development

fails. Additionally, there are periodic property tax ballot questions directed at larger community needs such as education, and support for these other needs can be diluted when an excessive property tax already exists. The staff believes that the combination of a 35 mill cap in conjunction with the proposed development fee, which is proposed in the service plan, provides a sufficient source to offset the cost of development. Any excess gap that exists must be considered by the developer in the land value derived at the time of development. A 35 mill levy cap is consistent with the City's special district policy.

In order to set a public hearing date, the City Manager is required to determine whether or not the proposed service plan is compliant with the *City of Gunnison Municipal Code*. The staff believes that the submitted service plan does meet the criteria required to set the public hearing date. Enclosed with the memorandum is the cover letter (March 3, 2016) submitted by White, Bear, Ankele, Tanaka, & Waldron and the Service Plan draft submitted to the City for consideration.