



Legislation Text

File #: Res 2018-46, **Version:** 1

RESOLUTION APPROVING TERMS FOR THE PREPAYMENT OF THE CITY'S LOAN TO THE BUFFALO HIGHLANDS METROPOLITAN DISTRICT FOR THE CONSTRUCTION OF 96TH AVENUE AND AUTHORIZING ACTIONS RELATED THERETO

Summary and Background Information:

During the Great Recession, the City agreed to loan money to the Buffalo Highlands Metro District for the construction of a bridge over Second Creek and the extension of East 96th Avenue from Buckley Road to Tower Road. That loan agreement was amended a number of times and ultimately resulted in the loaning of \$5,939,999.90 at six percent (6%) interest. Because this was a bridge and road project the agreement called for the road impact fees generated by development of the land adjoining the new road section to be applied to the loan.

The developer needed the bridge and the road extension in order to start development. The City needed the bridge and road extension to be built someday, but not immediately. As a result, the loan seemed to be the best approach at that time.

As of April 30, 2018, the accrued interest totaled \$1,467,139.68. In a recent meeting, the Buffalo Highlands Metro District requested relief on the interest and that the metro district continue to receive the road impact fee revenue after the loan is repaid since the loan agreement was silent regarding early repayment of the loan. Tracking and paying the road impact fees to the metro district imposes an administrative burden on the City's Finance Department.

To resolve those issues we agreed to reduce the accrued interest that must be paid by the metro district to \$300,000 and in return the City will retain the road impact fees. The City will receive \$141,000 more from road impact fees than from the accrued interest, which is justified since there is some risk that not all of the estimated lots may be able to be built and the time value of money makes the road impact fees paid in the future worth less than revenue received today, due to inflation.

Possible City Revenue Source	
Accrued Interest	\$1,467,139.68
vs	
Proposed Interest to be Paid	\$300,000.00
Total Estimated Road Impact Fees	\$1,308,548.00
Total of Paid Interest & Road Impact Fees	\$1,608,548.00
Net Estimated Difference (gain to City without factoring in inflation)	\$141,408.32

In the interest of simplifying the loan agreement and facilitating the early repayment of the loan, the Council's approval of the resolution is recommended.

Staff Responsible (Department Head): Roger Tinklenberg

Staff Member Presenting: Roger Tinklenberg

Financial Impact: \$6,240,000.00 (immediate loan repayment + \$300,000 interest)
\$1,308,548.00 (future road impact fee revenue)

Funding Source: Loan repayment & Road Impact Fee revenue to City

Staff Recommendation: Approve resolution authorizing the City Manager to sign the amendment to the loan agreement.

Suggested Motion: Move to approve Resolution 2018-46.