

Please Support HB23-1090 (Rep. Weissman)
“Limit Metropolitan District Director Conflicts”

Overview of the bill by section

1. **Limitations on indebtedness for residential metro districts** - entities with a conflict of interest may not purchase district debt (core section of bill)
2. **Anti-conflict of interest provision** – special district board member who voted to approve debt shall not thereafter acquire debt.
3. **Anti-conflict of interest provision** – a special district director who is proven by a preponderance of the evidence (customary civil law standard) to have acquired debt the director voted to approve breaches the public trust.
4. **Safety Clause**

Background

- **A metropolitan (“metro”) district is a government.** The “constitution” limiting what metro districts can do is the Special District Act (Title 32, Article 1, CRS).
- **A metro district can issue debt and levy taxes to pay off the debt.**
 - By the mid-2010s, authorized but unissued metro district debt exceeded \$1 TRILLION.
 - At the same time, state government debt was less than \$20 billion.
- **There are almost 2,300 metro districts in the state** – up from under 200 about 20 years ago.¹
- **Key terms**
 - **Title 32 district** – ANY district formed under Title 32, CRS (incl RTD, SCFD)
 - **Special district** – district formed under 32-1 CRS for ONE of the allowable purposes
 - **Metropolitan district** – district formed under 32-1 CRS for 2 OR MORE allowable purposes (Fire protection; Mosquito control; Parks & recreation; Safety protection; Sanitation; Solid waste disposal facilities or collection & transportation of solid waste; Street improvement; Television relay & translation; Transportation; Water).²

Denver Post Editorial, 12/11/2019³

“As it turns out, giving developers taxing and bonding authority was a bad idea. Just because we’re \$17 billion into this failed experiment of trusting for-profit companies with taxpayer dollars doesn’t mean it’s too late to stop... City and county officials have lost control of billions of taxpayer dollars. Before any more of these projects are approved significant guardrails and controls need to be put in place.”

Denver Post Editorial, 1/31/2020⁴

“We find it appalling that in Colorado, a for-profit entity is being permitted to issue public debt and impose taxes and fees on the public. Moving forward, lawmakers and local elected officials should require that only true representatives of the public can vote on matters that would give millions of taxpayer dollars to a private business. Let’s make sure there’s no self-dealing in these quasi-governmental entities.”

¹ <https://dola.colorado.gov/lgis/lgType.jsf> - retrieved 2/5/23.

² CRS 32-1-103(10).

³ <https://www.denverpost.com/2019/12/11/editorial-metro-districts-developers-taxes-bonds/>

⁴ <https://www.denverpost.com/2020/01/31/editorial-legislation-needed-to-metro-district-conflict-of-interest/>

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Examples of Taxpayer/Resident Problems with Developer-issued, Developer-purchased Debt

<https://www.denverpost.com/2019/12/05/metro-districts-debt-democracy-colorado-housing-development/>

For example, the developer-controlled Big Dry Creek Metropolitan District in Adams County in 2017 issued a pair of senior bonds totaling \$11 million at about 6% interest to cover the costs of building its infrastructure. They were primarily sold to institutional investors and are to be paid over 30 years.

The district also issued junior bonds for \$1.8 million at 9% interest, also for infrastructure costs. The buyer of those junior bonds will see a \$1.8 million investment become a \$22 million payday, according to bond documents. That’s because no payments are scheduled to be made to its investors for at least 20 years, effectively ballooning the interest rate to 29.5%.

The junior-bond investor: Lennar Colorado, the builder of Big Dry Creek and its main subdivision known as Orchard Farms.

Of the five members of the district’s board of directors to approve the bonds and sale to the investor, two worked for Lennar and two others for the developer, TCIRATO LLC, according to conflict of interest statements filed with the Colorado secretary of state.

Lennar representatives did not respond to emails from The Post regarding this story.

It happened at the Banning Lewis Metropolitan District No. 4 in Colorado Springs last year. The district, the projected site of 3,581 homes, issued more than \$9.4 million in bonds to start development. Records show its developer, Oakwood Homes, which also controls the metro district board that issued the bonds, has an interest in \$1.9 million of junior bonds with an expected payday of more than \$10 million.

The same is true at Amber Creek Metropolitan District in Thornton, which issued \$17 million in senior bonds in 2017 to investors at varying interest rates up to 7.75%. Another \$1.7 million in junior bonds went to its developer/builder, Lennar Colorado, at 10.7% interest with an expected payday of \$25.8 million over 30 years, bond documents show. The effective interest rate: 39.6%.

<https://www.denverpost.com/2019/12/05/metro-districts-debt-highlands-ranch-meadows/>

Three of the Meadows districts that are responsible for repaying \$70 million in additional developer bonds — districts 1, 2 and 7 — are already in the hole for \$269 million in unpaid interest, district records show.

<https://www.denverpost.com/2020/01/22/metro-districts-developer-board-bonds-residents/>

In April 2018, the developer-controlled board at Amber Creek Metropolitan District in Thornton voted to pay \$10.9 million to developer/builder Lennar Homes for infrastructure costs. Two weeks later, homeowners within the district were elected to take control of the board.

In May 2018, the five members of the Carriage Hills Metropolitan District in Frederick – all part of the same developer family – approved more than \$7 million in bonds, \$2.6 million of it in a private sale, to repay their company for previous infrastructure expenses just five days before three residents would be elected to the body. In a subsequent lawsuit still pending, another developer accused the former board of purposely first repaying itself with bond proceeds while ignoring the more than \$400,000 he said he is still owed.

<https://www.denverpost.com/2021/05/12/metro-district-amber-creek-sues-developer-lennar/>

One of the Amber Creek bonds, issued in 2017, projected interest rate returns as high as 74%, or payments totaling “a minimum of \$25.8 million on a debt with a face value of \$1.7 million,” the counter-lawsuit says. “A 1,370% return.”

The district issued \$17 million in senior bonds in 2017 to investors at varying interest rates up to 7.75%. Another \$1.7 million in junior bonds went to Lennar at 10.7% with an expected payday of \$25.8 million over 30 years, The Post found. The effective interest rate: 39.6%.

The companies sought \$2.4 million for expanding the north side of the five-lane roadway, a project, according to the counter-lawsuit, “that was originally projected by Stratus and Lennar to cost approximately \$340,000.”

<https://castlerocknewspress.net/stories/castle-rock-metro-districts-almost-1b-in-debt,411511>

Residents in Castle Rock’s various metro districts are on the hook for almost \$1 billion in debt taken on to build public infrastructure.

At the Dec. 20 town council meeting, Pete Manger, assistant director of finance for the town, presented a summary on the 37 active metro districts in Castle Rock, which have a combined debt of \$943 million as of 2021.

Metro districts are a special taxing entity that can issue bonds to fund infrastructure, such as roads and water and sewer lines. The districts then tax property owners to pay off the debt.

Manger said the metro districts added around \$58 million to their debt between 2020 and 2021. He also noted that 48% of the \$943 million debt is accrued interest.

Last year, Castle Rock’s metro districts collected around \$32 million in property taxes, compared to the town collecting around \$1.4 million in property taxes.

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Example Metro District Mill Levies by County

Arapahoe

- Sky Ranch Metropolitan District No. 3 – 126.34
- Belleview Place Metropolitan District – 111.78
- Waterstone Metropolitan District No. 1 – 74.59
- Copperleaf Metropolitan District No. 9 – 65.66

Boulder

- Parkdale Metropolitan District No. 1 – 72.36
- Rex Ranch Metropolitan District – 55.66
- Erie Farm Metropolitan District – 50.79

Broomfield

- Arista Metropolitan District - 80.71
- Highlands Metropolitan District No. 3 - 73.66
- Aspen Street Metropolitan District - 69.27

Denver

- First Creek Village Metropolitan District – 73.66
- Loretto Heights Metropolitan District No. 2 – 65
- Westerly Creek Metropolitan District – 60.87

El Paso

- Lorson Ranch Metropolitan District No. 2 – 66.80
- Sterling Ranch Metropolitan District No. 2 – 66.80
- Meadowbrook Crossing Metropolitan District - 60

Larimer

- Thompson Crossing No 5 - 90.70
- Thompson Crossing No 3 - 90.51
- Thompson Crossing No 4 - 82.25

Mesa

- Grand Mesa Metropolitan District #2 – 50.37

Pueblo

- North Vista Highlands Metropolitan District No. 3 - 80
- Pueblo West Metropolitan District – 20.23

Weld

- Carriage Hills Metropolitan District - 97.77
- Erie Highlands Metropolitan District No. 2 – 77.93
- St. Vrain Lakes Metropolitan District No. 2 – 72.36

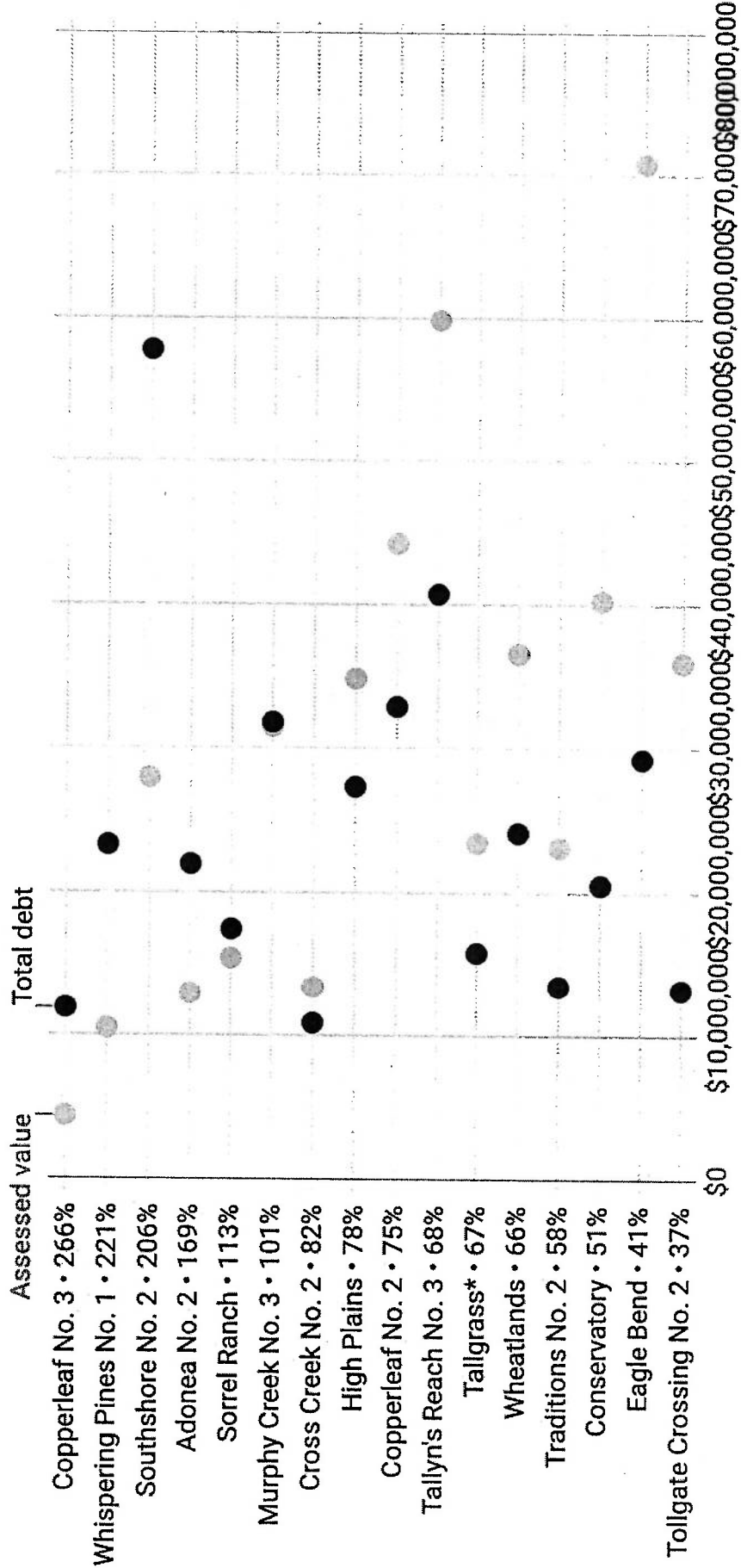
Colorado Property Tax in National Perspective

- Overall collections close to national average
- Trends in property taxes track national average
- Highly classified
- **Special districts get very high share of property taxes**

Share of Property Taxes Received by ...	CO	U.S.
Special Districts	18% (2nd)	4%
Cities & Towns	11% (44 th)	31%
Counties	20% (34 th)	23%
School Districts	51% (17 th)	42%

Metro district debt load

A sampling of metro districts in Arapahoe County shows a handful have more debt than the total assessed value of the homes in the district. If the imbalance gets too severe, mill levies cannot rise enough to cover debt payments, resulting in a never-ending tax burden. Metro district name • debt ratio.



*Tallgrass' debt is not self-amortizing and a balloon payment will be due in 2026 requiring refinancing.

Source: Colorado Department of Local Affairs • Get the data • Created with Datawrapper

2022 Tax Levies for Taxing Authority 1155

Code	Taxing Authority	Levy
0801	Aurora School Dist # 28J	77.8460000000
2998	Arapahoe County	12.7500000000
2999	Developmental Disability	01.0000000000
3001	City Of Aurora	07.8160000000
4528	Regional Transportation	00.0000000000
4712	Urban Drainage & Flood	00.9000000000
4713	Urbn Drnge&Fid (S Platte)	00.1000000000
4744	W. Arap. Conservation Dis	00.0000000000
	Total:	100.4120000000

2022 Tax Levies for Taxing Authority 1229

Code	Taxing Authority	Levy
0801	Aurora School Dist # 28J	77.8460000000
2998	Arapahoe County	12.7500000000
2999	Developmental Disability	01.0000000000
3001	City Of Aurora	07.8160000000
4478	Murphy Creek Metro Dist#3	54.3270000000
4530	Sable Altura Fire Bonds	00.0000000000
4712	Urban Drainage & Flood	00.9000000000
4713	Urbn Drnge&Fid (S Platte)	00.1000000000
4744	W. Arap. Conservation Dis	00.0000000000
	Total:	154.7390000000



Statement Of Taxes Due

Year	Tax	Interest	Fees	Payments	Balance
Tax Charge					
2022	\$5,901.88	\$0.00	\$0.00	\$0.00	\$5,901.88
Total Tax Charge					\$5,901.88
Grand Total Due as of 01/29/2023					\$5,901.88

Tax Billed at 2022 Rates for Tax Area 674 - 674

Authority	Mill Levy	Amount	Values	Actual	Assessed
AURORA	7.8160000*	\$246.20	RES IMPRV LAND	\$84,000	\$5,840
GENERAL	22.8430000	\$719.56	SINGLE FAMILY RES	\$369,209	\$25,660
RETIREMENT	0.3140000	\$9.89	Total	\$453,209	\$31,500
ROAD/BRIDGE	1.3000000	\$40.95			
DEVELOPMENTALLY DISABLED	0.2570000	\$8.10			
SD 28 BOND (Aurora)	23.0000000	\$724.50			
SD 28 GENERAL (Aurora)	54.8460000	\$1,727.65			
URBAN DRAINAGE SOUTH PLATTE	0.1000000	\$3.15			
URBAN DRAINAGE & FLOOD CONT	0.9000000	\$28.35			
SOCIAL SERVICES	2.2530000	\$70.97			
PAINTED PRAIRIE METRO DIST	12.5000000	\$393.75			
PAINTED PRAIRIE METRO DIST	60.2320000	\$1,897.31			
FIRE DISTRICT 11 - SABLE AL	1.0000000	\$31.50			
Taxes Billed 2022	187.3610000	\$5,901.88			
* Credit Levy					

Tax amounts are subject to change due to endorsement, advertising, or fees.
Please call the office to confirm amount due after August 1st.

All Tax Lien Redemption payments must be made with cash or cashier's check.

Adams County Treasurer & Public Trustee
4490 S Adams County Parkway, Suite W1000
Brighton, CO 80601
720-523-6160

Here is an example, where the developer creates a "loan" to the residents. The person signing for the developer and the district (residents) is the same person:

**REIMBURSEMENT OF DEVELOPER LOAN
AND
PUBLIC INFRASTRUCTURE ACQUISITION AGREEMENT**

THIS REIMBURSEMENT OF DEVELOPER LOAN AND PUBLIC INFRASTRUCTURE ACQUISITION AGREEMENT ("Agreement") is made and entered into as of the 13th day of May, 2008 by and between FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1 (the "District"), a quasi-municipal corporation and political subdivision of the State of Colorado, and CARMA LAKEWOOD, LLC (the "Developer"), a Colorado limited liability company. The District and the Developer are sometimes individually referred to as a "Party" and collectively as the "Parties."

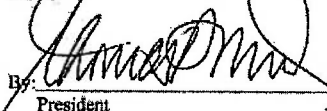
RECITALS

WHEREAS, the District has been duly and validly organized as a quasi-municipal corporation and political subdivision of the State of Colorado, in accordance with the provisions of Article 1, Title 32, Colorado Revised Statutes ("Special District Act"), and with the power to provide certain public infrastructure, improvements and services, as described in the Act, including but not limited to water, street, traffic and safety controls, transportation, parks and recreation, sanitation, and mosquito control (among other powers permitted under Title 32 and subject to the Service Plan as approved by the City of Lakewood, Colorado) within and without its boundaries (collectively, the "Public Infrastructure"), as authorized and in accordance with the Second Amended and Restated Service Plan for Fossil Ridge Metropolitan District No. 1, Fossil Ridge Metropolitan District No. 2 and Fossil Ridge Metropolitan District No. 3 (the "Service Plan"), approved by the City of Lakewood, Colorado (the "City") on August 27, 2007, which Service Plan may be amended from time to time as authorized under applicable law; and

WHEREAS, in accordance with Section 32-1-1001(1)(f), (h) and (i), C.R.S., the District has the power to acquire real and personal property; manage, control, supervise the affairs of the District, including construction, installation, operation and maintenance of improvements in

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date and year first above written.

FOSSIL RIDGE METROPOLITAN DISTRICT
NO. 1

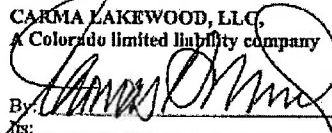
By: 
President

ATTEST:

Secretary

(SEAL)

DEVELOPER:

CARMA LAKEWOOD, LLC
A Colorado limited liability company
By: 
As: