

Issue Brief: Understanding Metro Districts



HOUSING & BUILDING
ASSOCIATION
OF COLORADO SPRINGS

Since 1980, El Paso County's population has increased by more than 145 percent, or 428,000 additional residents in the area. During that period, local governments were increasingly unable to adequately invest in the historical responsibility to provide public infrastructure (streets, sidewalks, water mains, sewage systems, etc.) for new housing developments through general tax revenues or utility rate increases. Local government started looking to the private land development activities to fund the infrastructure by making growth pay its way.

Metropolitan—or metro—districts are the best available option to support capital improvements in the new housing community developments needed to meet the attainable housing challenge in our region. Metro districts are local, quasi-government authorities empowered to impose taxes within their jurisdiction to pay for services within their boundaries. Created by state statute in 1973, metro districts have been successfully used to provide and pay for critical public services not otherwise available through broader local government authorities, such as cities and counties.

Funding for Capital Improvements

Metro districts can provide funding for certain capital improvements and service costs within the boundaries of the district and for off-site improvements that are related to the activity within the district. Funding from the district must be for public improvements—and may not be used for private improvements. This means a park can be built and maintained using district funds, but it must be accessible to the public at large, and not just for residents of the district.

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The public improvements made by a metro district can then be transferred and owned by the counties or municipalities after they are complete, particularly roads and intersections. Improvements like parks often are still owned by the metro district after completion. In many cases, the maintenance of these infrastructure improvements is then performed by the metro district. This enables communities to have a higher level of maintenance performed in a timelier manner.

Metro districts allow access to the financial resources of large bond markets, including pension funds and institutional investors.

Metro districts can issue tax-exempt bonds, with neither the local city or county taxpayers having any liability for repayment of bonds. The state-mandated maximum mill levy may not be exceeded if there is a default on these bonds, so the financial risk of a metro district default is assumed by the bond holder.

Because of these fiscal protections, metro districts remain the most viable option to support capital improvements in the new housing communities needed to meet the attainable housing challenge in our City and region.

Without metro districts, the costs associated with streets, sewers, parks and other public improvements would be included in the price of every new home, pricing many residents out of the market. Adding infrastructure costs to the sale of a new home would boost the price by \$35,000 to \$65,000 per home. According to National Association of Homebuilders, for every \$1,000 increase in cost, 116 Colorado Springs households are priced out of the homebuying market.

Metro districts spread these costs out over

For more information:

Marla Novak
Director of Government Affairs
719-592-1800
marla@cshba.com

Ryan Klein
Chair, HBA PPC Committee
rklein@shermanhoward.com

www.CSHBA.com
Facebook: @HBAofCOS
Twitter: @CSHBA

time, and the residents of the district repay them through long-term tax payments, which can be deducted from their federal taxes. In addition, metro district financing ensures that the cost of growth and development is paid for by the users—the homebuyers within the new community.

Oversight and Transparency

Finally, metro districts have many layers of oversight by local governments and homeowners. Metro districts are subject to all Colorado sunshine laws, hold regular elections and must provide specific information to the public through annual transparency notices and current, updated web sites. Forming a metro district requires a service plan and several public meetings before a vote is taken at the county or municipal government level to allow the district.

Homebuyers are notified at the time of contract and closing under Colorado law about the existence of a metro district, including an estimate of property tax from the district. Homeowners are ultimately able to

seek election to the board's that control the financial and management structure of the Districts.

Locally, metro districts are subject to scrutiny by the City of Colorado Springs and El Paso County. The City of Colorado Springs has set strict limits on what is allowed in the metro district service plan, including the maximum mill levy. In many cases, the limitations in the Colorado Springs metro district policy are more restrictive than what is allowed by state statute, including a provision that any debt issuance requires approval by the city.

In 2022, Colorado Springs City Council adopted a revised Special District Policy, which included new model service plans for multiple metropolitan districts and single metropolitan districts, as well as new model plans for operations and budgets for Business Improvement Districts or BIDs. The policy aligns Colorado Springs with recent state legislative changes on disclosure, transparency and elections and actually created additional checks and balances that exceed current requirements in state statute.

HBA recommendations: To ensure that infrastructure needs are met for new developments in Colorado Springs, the HBA believes that City Council members and City officials should:

- Work with developers to understand how metro districts provide funding for capital improvements within the boundaries of a development and for off-site improvements related to new growth.
- Understand and utilize the oversight tools available to local governments and homeowners for metro districts, including service plans, sunshine laws, elections and annual transparency notices to the public.
- Reach out to organizations like the Special Districts Association for more information about metro districts and best practices for establishing service plans and oversight.

About the Housing & Building Association of Colorado Springs

The Housing & Building Association of Colorado Springs is a trade association that represents more than 500-member companies, including builders, developers, and remodelers, as well as trade contractors, materials suppliers, mortgage lenders, real estate agents, title companies, interior designers, architects, landscapers and beyond. The HBA and its members are community leaders and builders, contributing to the growth, prosperity and quality of life our exceptional community.

HBA Mission

The Housing & Building Association of Colorado Springs promotes policies that allow for the production of safe and affordable housing and enhances the environment for the housing and building industry in El Paso County.