

Denver Post

Colorado metro district debts can take homeowners decades to pay off

Even Highlands Ranch metro district, which is considered successful, remains nearly \$23 million in debt

By DAVID MIGOYA | The Denver Post

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Though special districts have existed since at least the 1970s, advocates say metro districts met with their greatest success when the 22,000-acre Highlands Ranch was founded in 1981 and eventually grew to 96,000 people.

METRO DISTRICTS:

DEBT & DEMOCRACY

A Denver Post investigation has found Colorado's metro districts create billions in debt, leaving homeowners with soaring tax bills.

Read more from this investigation [here](#).

Have a question about this series? Submit it [here](#) and reporter David Migoya could answer it in a future story.

It was the same year the Colorado legislature amended the Special District Act allowing that to happen.

The sprawling community was built one segment at a time, with each one drawing on a municipal debt that leveraged the homes being built to repay them through future property taxes.

Despite that, the several districts that make up the whole of Highlands Ranch is expected to still owe more than \$22.8 million on its bonds this year, issued again in 2016 to refinance a number of bonds that preceded them, according to its 2019 budget.

“There’s really no district that finds its way out of debt, no matter how long it goes on,” said Charles Wolfersberger, an accountant who helps manage several districts. “And in many cases, that debt simply keeps growing, unknown to the homeowners who are required to pay it. It simply never stops.”

The process works very much like a new credit card that’s used to pay off the high interest of a previous one. Unless the payments are reduced significantly, the interest keeps building on itself.

And it happens over and over and over again.

Charles Wolfersberger, a CPA with District ...

Accountant Charles Wolfersberger at one of his offices in Broomfield.

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“I remember when we first moved in and the taxes were way less than what we were paying in Connecticut or New York,” said Patrick DiBartolomeo, a former executive at Starz who bought into Meadows Metropolitan District No. 1, one of seven that frame Red Hawk Ridge golf course on the west side of Interstate 25 in Castle Rock.

“I thought, wow, this is doable,” he recalled. “But no matter how many people moved into the neighborhood, no matter how much more the tax base got with each new house, the property taxes kept going up and up. It made no sense.”

Residents of Meadows are drowning in development debt, records show.

More than \$30.7 million in bonds issued in 1989 not only remain unpaid, but the accrued interest on those bonds has exploded to nearly \$118 million, district financial records show.

For a community that can muster only \$4.3 million in property taxes each year, it’s barely half what it owes in interest each December.

Unlike bonds issued today, with stricter guidelines, Meadows’ obligations were backed by letters of credit from a large bank. There is no expiration date on their repayment.

“Those people living there are obligated to pay that levy forever,” said Sue Maxwell, an attorney and expert on bond financing. “Those bonds are simply not re-financeable, with interest accumulating for decades. There’s so much debt outstanding, they won’t ever see it go down.”

That’s not all.

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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.

“I moved out after five years to a place just a mile away and it was half the amount in taxes,” DiBartolomeo said. “It just wasn’t worth the money to stay in that house for what we were paying.”

Highlands Ranch might be different, though. Officials there say their intent is to pay off the district’s bonds by 2021 — four years earlier than required — and do so without taking on any additional debt.

“This is a point of pride for the organization,” district general manager Terry Nolan told The Denver Post in a letter, noting its mill levy has dropped to 11.2 from 25.5 more than 20 years ago. “The Highlands Ranch Metro District board of directors and staff is (sic) proud of our accomplishments and appreciates (sic) the vision of the community’s developers, leaders and staff over the last 39 years.”

Learn more

To find information about individual metro districts, including budget documents, director and election information, and service plans, go to the Colorado Department of Local Affairs website.

Updated Dec. 6 at 3:22 p.m. The following corrected information has been added to this article: Because of a reporter's error, the amount of Highlands Ranch Metro District's outstanding debt was inaccurate. The story has been updated to reflect the accurate amount.

Citations

Colorado Department of Local Affairs, special districts. [Source link](#)

Nonprofit 990 tax returns, at [GuldeStar.org](#). [Source link](#)

Electronic Municipal Market Access. [Source link](#)

Sourcing & Methodology

The Denver Post delved into the inner workings of metropolitan districts in Colorado after hearing from several residents and some builders about their concerns regarding rising property taxes.

The Post began by researching how metro districts function and reviewing the available body of work concerning this form of quasi-government, both in the private sector as well as public.

The Post studied state and federal lawsuits and other documents and reports to locate experts and sources of information relative to metro districts and their operations.

As the scope of the issue unfolded, The Post focused on the areas that appeared to have the most concern and impact: debt and democracy. How metro districts establish their own debt and issue that debt was critically important to learning how property tax increases occur. Also, unraveling how metro district elections occur and how the election process works offered insight into a democracy that doesn't actually work as one.

Once the scope of the issue was identified, The Post spent more than eight months culling through a sampling of the more than 1,800 metro districts that exist in Colorado to see which worked and which did not. By locating residents and board members in each, The Post was able to stitch together a profile of how metro districts actually operate and what about them

prompted residents to bring their concerns to the newspaper in the first place.

Resources include GuideStar.org for nonprofit tax information, corporate filings with the Colorado Secretary of State's office, financial filings a district makes with the Colorado Department of Local Affairs as well as the Electronic Municipal Market Access of the Municipal Securities Rulemaking Board.

Ultimately The Post reviewed nearly 10,000 pages of documents from those sources and interviewed dozens of developers, builders, residents, community leaders and officials in various offices to piece together its series, Metro Districts: Debt & Democracy.