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HOME BUILDERS  
ASSOCIATION  
of  
METRO DENVER®

June 15, 2021

City of Lakewood  
Mayor Adam Paul  
Members of City Council  
480 S. Allison Parkway  
Lakewood, CO 80226

Dear Mayor and City Council:

I am writing to submit formal comments on the proposed amendments to the City's service plan governing metropolitan districts.

These comments are being provided on behalf of the Home Builders Association of Metro Denver (HBA Metro Denver).

HBA Metro Denver represents over 400 homebuilders, developers, remodelers, architects, mortgage lenders, title companies, subcontractors, suppliers, and service providers in the eight metro-area counties we serve.

Based on the proposals offered by the Ad Hoc Development Dialogue Review Committee and the discussion and deliberations at two subsequent study sessions of the full City Council, we are aware of a number of proposed policy revisions for procedures governing metropolitan districts including disclosure, board representation, size limitations and even a citywide moratorium. It is our understanding that it is the intention of City Council to try and reach consensus on these proposals at their June 21<sup>st</sup> study session later this month.

Because these proposed changes will undoubtedly have a resounding impact on our industry's ability to contribute much needed affordable housing in Lakewood and across the metro area, we would like to offer the following analyses of some of these proposals for your consideration:

**Disclosure to potential end-users/Potential changes to State Law**

HBA Metro Denver and the Colorado Association of Homebuilders is not opposed to additional disclosure requirements to metro district residents and does not disapprove of the additional obligations proposed by the Lakewood City Council. In fact, we supported SB 21-262 this legislative session which will significantly increase disclosure and transparency requirements for metro districts statewide. Once signed into law, the legislation will require additional notification requirements for district board elections, mandatory content for district websites, subject and submission requirements for standardized annual reports, disclosures, including estimated taxes, maximum mill levy, and debt caps, which must be provided at the time of entering into a purchase contract for a newly constructed residence, and district limitations on the use of eminent domain. While the City can be more

prescriptive than these new state requirements, it will be important that the City take these new restrictions into consideration when contemplating a potential ordinance.

### **District governance - including district board elections**

While HBA Metro Denver broadly supports a thoughtful transition of district boards over to residents, it is important that this process does not hinder the general operations of the district or the ability of its board to make necessary decisions on behalf of its residents. Perhaps the greatest impediment to this transition is finding the residents who want to serve on their metro district boards - particularly if they are happy with the current level of management and services that are being offered. In fact, we have heard anecdotal evidence from metro districts in other jurisdictions that have been actively recruiting residents to serve on the board and have been unsuccessful. It is important that any required transition from developers to residents on district boards take this prospect into consideration so that district boards can continue to function as intended in the event residents are not willing to serve.

### **Limitations on the size of metropolitan districts**

While this was not a proposal specifically included on the Ad Hoc Committee's list of options, the issue did come up repeatedly during both City Council study sessions and therefore is important to address. Placing a "one size fits all" limitation on the size of metro districts while possible, could lead to unintended consequences, bureaucratic inefficiencies and resident confusion within a development. Requiring that a single district serve too large of a residential area could result in residents living in different types of homes that require different types of services. For example, there is a general expectation for owners of Single-family homes to handle their own lawn maintenance and landscaping responsibilities, while these types of services are generally subcontracted out for condominium and townhome residents. So in some instances, it may be preferable to create multiple districts, so that residents are paying the proper fees for the services they receive. On the other hand, requiring that districts only include a certain amount of property could result in creating more districts than are needed to serve the development which results in multiple boards, meetings, financial reports, budgets, elections, audits, websites, and annual reports. Additionally, a mixed-use development that contains both residential and commercial property may need separate districts because these types of property are assessed at different rates. Since each development has its own unique characteristics, HBA Metro Denver encourages the City Council to consider evaluating the size and scope of each proposed district individually and then consider authorizing a service plan based on its own criteria and circumstances.

### **Mandatory limitations on mill levies and fees**

Revenue generated through these financing instruments is what pays for the necessary infrastructure and public improvements within a metropolitan district and is the best option available to support the quality of life (the valuable public services, amenities and open spaces) that residents appreciate and have come to expect in their communities. By imposing across the board mill levy and fee limitations, public improvement costs for Lakewood residents can no-longer be fully financed with preferable long-term property tax payments but instead through increased home prices. It would also significantly reduce the number of amenities a development could offer its residents. Instead, the HBA would highly encourage the City Council to consider setting mill levy and fee limits on a district-by-district basis, so that the long-term needs of the district and its residents can be evaluated by its own unique circumstances.

### **City Council vote on whether to prohibit additional metropolitan districts**

For obvious reasons, the most concerning proposal would be a general prohibition on the use of metro districts in Lakewood. In Colorado, metro district financing is the best available option to support public improvements in new housing community developments and are needed to meet the affordable housing challenges in Colorado.

If public infrastructure costs were included in the price of each home, many residents would be priced out of the market. Instead, metro districts spread these costs out over time, and the residents of the metro district repay them through long-term property tax payments. In fact, estimates for the public infrastructure costs associated with new development can range anywhere from \$30,000 to \$40,000 per home – further limiting aspiring Lakewood homeowners the ability to qualify for an adequate loan. The National Association of Home Builders’ latest “Priced-out Estimates” from January 2021 indicates a \$1,000 increase in the cost of a median-priced new home will further price 2,310 Colorado households out of the market.

In conclusion, we strongly encourage the City Council to consider the implications of the proposed changes to metropolitan districts and their impact on the future of residential development within the city. Because a timely and efficient review process is a primary component to keeping home prices affordable, we also request that any new metro district regulations and/or service plan requirements be supplemented with a structured staff review timeline and process document that helps improve efficiency and set out a clear process both for City Staff and the applicant. We also hope that the council will consider offering an opportunity for stakeholder engagement on this important issue before any final decisions are made. We are available for additional consultation with the city staff, as necessary.

Thank you for your time and consideration of our analyses.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ted Leighty".

Ted Leighty  
Chief Executive Officer  
Home Builders Association of Metro Denver

Cc: Kathy Hodgson, City Manager  
Jay Hutchison, Public Works Director