



HOME BUILDERS
ASSOCIATION
of
METRO DENVER®

May 2, 2022

City of Commerce City
Mayor Benjamin Huseman
Members of City Council
7887 E. 60th Avenue
Commerce City, CO 80022

Dear Mayor and City Council:

I am writing to share our thoughts and concerns regarding Commerce City's proposed changes to metropolitan district regulations that are coming to City Council on Monday, May 2, 2022.

These comments are being provided on behalf of the Home Builders Association of Metro Denver. As the largest HBA in Colorado, the HBA of Metro Denver represents over 500 homebuilders, developers, remodelers, architects, mortgage lenders, title companies, subcontractors, suppliers and service providers in the eight metro-area counties we serve.

In Commerce City, the HBA of Metro Denver represents a diverse collection of developers and builders doing business in Commerce City.

We have done our best to try and stay current on all of the policies and code changes the City of Commerce City is enacting upon new development and home building. Given how specific the proposed regulations are to the home building industry and how closely the HBA of Metro Denver is working with the City on various issues, we are disappointed in the amount of time we were given to review the proposed regulations, as we only just received them last week on April 25th.

We have done our best to compile our comments, concerns and suggestions below and hope City staff, the Mayor and City Council will take them into account.

The biggest concern we have is the lack of what we previously called "Gallagher Adjustment." If the assessment ratios change in the future—which they most certainly will—this will have a huge negative impact on metropolitan district financing and raise the cost of capital for districts in Commerce City significantly. This will result in higher interest rates on debt in Commerce City to offset the additional risk that the assessment ratios will change.

If we could suggest Commerce City staff and the Mayor and Council focus on one item from all of the proposed changes, it would be the above issue. That being said, we also want to convey the following additional comments, which are also important and will have an impact on future development in Commerce City:

- 35-year limitation on debt service mill levy is shorter than we usually see and could result in less ability for public improvements to be constructed and higher interest rates.
- The concept of “extraordinary public benefits” is concerning not because we don’t agree about providing public benefits, but because it is a very subjective and amorphous standard that does not provide a good standard or set of criteria to follow.
- The prohibition against entering into any intergovernmental agreements/extra-territorial service agreements seems overly burdensome on the district’s ability to operate in accordance with its service plan. The result will be having to go back to the City for these items, which can result in service delays, additional costs in negotiating and getting the agreements approved (which ultimately will be paid by the homeowner).
- The total combined mill levy cap of 50 mills, with a limitation of 10 mills (of the total 50) being for operations and maintenance is really low.
- The prohibition on adjustments to the mill levy for changes in assessed valuation calculation will result in services being ratcheted down when such changes occur and less proceeds from debt that is issued.
- The annual oversight fee is something we have not seen before and left our members curious how this will be implemented and districts will be billed.
- Withholding building permits for a perceived material modification of a service plan seems pretty aggressive. This could be a challenge for home builders if they are building in a community that has an issue that is a result of the previous landowner or land developer, but preventing them from pulling a building permit.
- The limit to 80% of public infrastructure cost reimbursement and \$25,000 of organizational costs will present numerous financing challenges for developers in Commerce City.

The Home Builders Association supports smart regulations on metropolitan districts so this important tool for financing and building public infrastructure and amenities can continue. Again, without metropolitan districts, cities are not able to pay for infrastructure like streets, sidewalks and parks to serve new development. And based on recent housing figures and trajectory, our supply/demand issue with housing is not going to get better unless and until we can find ways to drive down the cost of housing (not up).

We hope Commerce City will consider these comments in any final amendments or regulation changes that are adopted.

Thank you for your time and consideration of this matter.

Sincerely,



Ted Leighty
Chief Executive Officer
Home Builders Association of Metro Denver

Cc: Roger Tinklenberg, City Manager
Jason Rogers, Deputy City Manager
Jim Tolbert, Community Development Director