Colorado Metropolitan District FAQ

What is a Metropolitan District?

It is a local unit of government created to fund public infrastructure for new development with debt repaid by taxes and/or fees levied only within the new district's boundaries without burdening the existing taxpayers of that City or County. Public infrastructure can include streets, water, sewer, storm drainage, parks, and other similar improvements.

How are Metropolitan District taxes calculated, imposed and collected?

District taxes function in the same manner as other property taxes in Colorado with a mill levy applied to Assessed Value of property as determined by the County Assessor and collected by the County Treasurer. For residential property, that calculation is:

Actual Value x Assessment Ratio x Mill Levy = Annual Tax Obligation

For a $400,000 home in a District with a 50 mill levy using the 2020 Assessment Ratio for residential property, the tax bill for the District would be:

$400,000 x 7.15% x 0.050 =$1,430/year

The actual mill levy for a District is comprised of a debt service levy and an operations levy and would be determined based on the provisions of the Service Plan, the total valuation of taxable property in the District, the District's debt obligations and the District's operational needs. Most Service Plans contain mill levy limitations to ensure that taxpayers obligations are limited regardless of the debt obligations outstanding.

How are Metropolitan Districts created?

Formation of a new District requires the approval of a Service Plan by City Council or County Commissioners. Many cities and counties have specific policies addressing the formation of new Districts. Most often this approval is in response to a request for formation from an owner of vacant land requiring significant new public infrastructure. At formation, the property owner usually also votes to authorize the issuance of debt by the new District and the initial Board of Directors.

How are Metropolitan Districts governed?

The statutes provide for an elected Board of Directors, with the initial electors and Directors likely to be designees of the developer until new electors move into or buy property within the district and elect new Directors in biennial elections in May of even numbered years. Residents of the metropolitan district are eligible to be elected to the Board as a Director. The powers of the District and its Board are limited by the provisions of the approved Service Plan. For more information on how you can run for your metropolitan board go to https://cdola.colorado.gov/special-district-election-forms

Who decides what development occurs and the infrastructure needed for the new development?

New development is driven by market demand within the framework of a City or County's land use regulations. Typically, these regulations start from a broad comprehensive land-use plan including input from elected officials, staff and citizens. As a new development proceeds through a land-use approval, the City or County approves the details of the specific development and required infrastructure to ensure they meet the goals of the comprehensive plan.

Who pays for new infrastructure to support new development?

As developers move through land-use approvals they work with the City or County to determine which infrastructure improvements will be funded by the City or County and which will be the obligation of the developer. At the same time, the City/County may create a special district on the development to fund some portion of the infrastructure that the developer is obligated to build. Typically, the portion of the infrastructure that the district will fund is determined by what can be repaid through a limited tax authorized in that district with the balance to be funded by the developer. Essentially, there are 2 steps to the allocation of the infrastructure funding:

1. City decides what they will fund, what the developer will be obligated to fund and what limited tax they will authorize in the district.
2. The district provides funding from bond investors to pay for a portion of the developer-obligated infrastructure based on the expected repayment from the limited tax.

Why not just have the developer pay for all required infrastructure?

Developers operate as for-profit businesses with a broad market of options for investing time and capital in exchange for market returns relative to risk. Providing district funding for a portion of the infrastructure results in some combination of:

- Projects get built that wouldn't otherwise be feasible
- Homes cost less
- Infrastructure can be properly sized
- Amenities like parks, playgrounds, trails, recreations centers can be added
- Less burden allocated to City and existing taxpayers

Who takes the development risk in funding the infrastructure?

Horizontal infrastructure is required before vertical development can proceed and repayment for that infrastructure funding is typically dependent on the timing and value of the anticipated vertical development. Therefore, the funding of new infrastructure requires an assessment of this development risk and a corresponding market return. For the infrastructure not funded by the City, the developer and the district's bond investors may each take a portion of this risk for a market return. Because the repayment source for the district's debt is a limited tax, this development risk is not borne by the taxpayer whose annual obligations are limited regardless of the timing or value of the anticipated development. In this way, districts provide access to a large, efficient, tax-exempt capital market for infrastructure without transferring the development risk to the taxpayer.

Do other similar States use districts to fund infrastructure?

Most high growth states have similar district tools for infrastructure funding, especially in the West and South where infrastructure demand is high. For example:

California – Community Facilities Districts

Utah – Public Infrastructure Districts

Texas – Municipal Utility Districts and Public Improvement Districts

Nevada – General Improvement Districts

New Mexico – Public Improvement Districts

Arizona – Community Facilities Districts

Florida – Community Development Districts

Are Metropolitan Districts allowed to finance private improvements owned by a developer?

No, because (a) state law permits only public improvements to be financed, and (b) federal tax law (which applies to tax exempt district bonds) also permits only public improvements be financed.