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To the Honorable Douglas County Board of Commissioners

I write to endorse and fully support the significant research and analysis contained in the study and report prepared by FCCII.

I was a resident of Solterra, a large community in Lakewood Colorado that recalled its developer board, installed a resident board and then,  through the residents, took control of our taxing and spending for our metro district government.

Since initiating that effort, I have continued to research everything written and otherwise published regarding metro districts nationally as well as the rest of the country.

I am an attorney admitted in Colorado.   Over the past 45 years I have actively advocated on behalf of residents regarding land use issues in Connecticut, Virginia, Kansas and Colorado.  I have represented both residents and developers professionally in addition to my extensive volunteer work.

I have been a developer.

In Colorado I have been recognized as a published expert on metro district abuse by the Denver Post, the Denver Gazette, CBS Local Station, numerous local news papers, the City of Lakewood, the City of Longmont, the City of Erie, the City of Dillon and Jefferson County.  I have published more than a 100 articles, videos and training publications on Colorado metro districts.  I was a founding member of Coloradans for Metro District Reform and have testified at state legislative hearings for 5 years regarding metro district reform.   I have also answered calls from more than 100 residents, potential homebuyers, real estate agents, news organizations and towns asking me to evaluate particular districts.  My first evaluation of my district in Solterra in 2015 took about three months because the documents were hard to find and not readily available from the developer controlled districts.  Documents are still not readily available but I know where to find them and they are, not surprisingly, routinely very similar.  The evaluation process now takes a couple hours.

All my work is volunteer.

I have evaluated the metro district at issue here.  I have published that information for the residents, some of which has been vetted and included in the FCCII study and report.

My evaluations are anchored in the developer's documents.  Much of what I do is simply disclose documents that are not readily available and help explain how the documents are created, how they structure metro districts and what they do to the future residents and community at large.  Again, the life and impact of metro districts is very similar from one to another of the over 2000 districts in Colorado.  The location and numbers change but the foundational financial and governing mechanisms are virtually the same.

As here with this new district, there is no need for the district unless the developer can meet its burden under Title 32 to prove to the County that it is cheaper to the residents to finance repayment for the cost of infrastrcture through metro district financing instead of financing the repayment through the cost of the homes.

The math is pretty simple.

Financing through a metro district is more expensive because in most cases the developer is double dipping - charging for the cost of the infrastructure in the cost of the developed lot he sells to a homebuilder or himself as the homebuilder, which cost is passed on the the homebuyers.  The homebuyer pays for their share of the infrastructure, including construction of public improvements outside the district like a turning lane for a highway, when they pay for the home property.   Then, under the guise of metro district financing, as if they had not already paid for the infrastructure when they bought their home, the residents are required to pay again - a second time - for the infrastructure through the metro district taxing.  Double dipping.  Pay when you buy the home.  Pay again through metro district financing.  Same infrastructure.

Even if the developer proves through verifiable documentation available to the public that they are discounting the cost of the homes and NOT charging for the infrastructure when they sell the developed lot or home (and the homes are, in fact. that much less expensive), financing that repayment cost through metro district financing is still more expensive than through home mortgage financing (assuming the homebuyer needs a mortgage and doesn't pay some or all in cash).

With a mortgage there is one loan.  One line of interest.  With metro district financing there are two loans, two sets of interest and paying interest on interest.  There are the developer advances which are loans with interest.  Then there are the bonds to pay off the advances.  The bonds carry interest payments paying down the advances and the interest which accrued on the advances.  Again, the simple math shows metro district financing is always more expensive. There is no "need" to charge residents more for the same product.

And the metro district finance model doesn't end with issuing bonds.  There is also the cost of a management company, lawyers, accountants and consultants to make sure the district complies with all the Title 32 regulations.  Typically this significant cost of running a metro district is another profit center for the developer as he funnels his costs through the metro district (at additional profit).

From the studies we have conducted and seen, developers routinely pay themselves 200 to 1000 % profit in metro district development when the industry average nationwide is 15 - 30% profit.  This is, by definition, not the most economical way to pay the developer back for their advances to fund infrastructure costs.  Metro district financing is, by definition, the opposite of "affordable" housing.

My research and experience also shows that the governance of metro districts through the developer dominated boards is all designed to ensure that the developer,  not the residents, maintains complete control over the residents taxing and spending until the developers lock the residents into debt payable to third party investors (i.e. the Teachers Retirement Fund in Illinois).   This is the exact opposite of representative government guaranteed by the United States and Colorado Constitutions.

The check and balance applicable here are you.  The residents who will unwittingly become subject to "agreements" the developers entered into with themselves "on behalf of" these residents (with whom there is an absolute conflict of interest) will have no power until it is too late and they are buried in debt with zero accountability for how the money was spent and zero ability to provide oversight while the money is being spent.  That is your job.  And under Title 32 you have the power to require monthly oversight and control over when and how much debt is issued.  The FCCII raises defects in the financing and governance of this particular metro district which cannot be ignored without violating your fiduciary duty to the community and future residents.

A true test of the viability of this district is simple.  If the developer decides to withdraw the application for a district because "its not worth it" to comply with the necessary oversight and limitations on taxing and spending as well as adherence to fundamental governance provisions, then there is no "need" for a metro district.

Let the marketplace do its job.  If residents decide to buy the home with the cost of infrastructure paid through the cost of the home, they are making a fully transparent and well informed decision.   The county should not be complicit in enabling developer's efforts to compromise the power of the marketplace by limiting the informed homebuyer's choices, increasing the cost and not fully disclosing knowledge of the additional costs to the homebuyer.

Homebuyers know exactly what they are getting for how much when they buy without a metro district.  Not so much with a metro district.

Thank you for your time and attention to this matter.  Your community is very fortunate to have volunteers like the FCCII group.

All my work the past 9 years has been volunteer.  We don't do it for money or personal gain.  We do it, we make these sacrifices,  because the integrity and ultimate success of local government demands it.  And if self government doesn't work at this level, there is little hope for it anywhere else.

John Henderson