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# When did metro districts start and what do they do?

Metro Dist

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Created by the Special District Act of 1981 by the Colorado General Assembly, metro districts are quasi-governmental entities that didn't really start showing up until the 2000s.



Today, there are more than 2,400 across Colorado.

A metro district is created by a developer with the consent of the local government — in Turnberry's case, Commerce City. The district then sets up a board of directors, acting much like a city council. But, with no actual homeowners yet to send one of their own, the board is typically made up of the district's developers and associates, as only landowners can be on the board before residents take over.

In Turnberry's case, BNC2 Metropolitan District No. 2 was created in 2000, but the board wasn't made up of all homeowners until May 2020, according to the district's website.

The developer-run board then sells bonds to finance a metro district's initial infrastructure costs — typically done by the developer — and ties their repayment to future property taxes assessed to the homes that will eventually be built.

The formula is simple: A developer creates a metro district, then acting as the board of directors, approves the sale of bonds to fund the infrastructure the developer will build. Future property tax revenues on the houses that are sold are used to repay those bonds over many decades.

The relationship between the developer and the metro district board — the same people on both sides of the equation — has been a point of contention at the state Capitol, with some criticizing the practice and others defending it.

"The legislature has done some modest, helpful things in the past," said Sen. Mike Weissman, D-Aurora, who has pushed for legislation for metro district oversight in the past. "In some cases, legislation I

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consider harmful has also passed. There is a lot more to do.”

By the time homeowners make it onto a district’s board of directors, much of the financial arrangements needed to sell the bonds have been completed years earlier — when the board was solely made up of the developer and associates.

These developers, who double as board members, frequently will purchase the bonds themselves. Because bond payments don’t start right away, interest keeps building — like a credit card when you only pay the minimum payment — leading to a much larger final payout, The Denver Gazette previously reported.

In Turnberry, Catellus Development Corp. developed the infrastructure of BNC2 and had members on its board. The developer also owns all of the bonds.

Developers say there’s no other way to handle the costs of metro district infrastructure effectively, adding that “development should pay for itself.”

That’s the concept that the cost of building the infrastructure for any new development should not be shouldered by the public — but by the homeowners who will benefit from it.

Homeowners, meanwhile, say their property tax bills are much higher than nearby non-metro district homes of similar size and question why, when mortgage rates hit lows of about 2.5% a few years ago, the infrastructure costs were tied to bonds of higher interest rates rather than the 30-year mortgages that paid for the homes.

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Turnberry’s developer defended the practice.

“The interest rates on the bonds are usually 3% or 4%. That’s not how developers make money.

Developers look for much higher returns than 3% or 4%,” said Ted Antenucci, president and CEO at Catellus Development Corp.

Kristi Pollard, executive director of the Metro District Education Coalition organization, added that the district has strict laws governing metro districts, with a city creating a service plan that caps mill levy amounts and lengths of time to repay them.

“To say that the developer is lending money to themselves is not accurate. It is a tool that is governed by many laws. As soon as a resident buys a house, they are able to sit on the board and make those decisions,” she said.

Others argued that developers wearing two hats in the same deal is wrong, especially when homeowners are left having to pay the tab.

“Only in Colorado is it considered ethical for developers to serve as board members to issue tax-supported government bonds to themselves, based on terms that they alone set,” attorney and metro district expert Brian Matisse told The Denver Gazette in 2023.

Weissman, meanwhile, told The Denver Gazette that the districts raise “questions of taxation, governance, and conflicts of interest.”

Metro district proponents have countered that metro districts and their current way of operating are crucial to building the majority of homes within the state.

“Everybody thinks the city pays for the roads. The city doesn’t pay for the roads. It doesn’t pay for the landscaping, water lines, or sewer lines. Someone has to pay for that,” Antenucci said. “If the developer pays for that, and we don’t get paid by the metro district, we just charge \$50,000 more per lot and every home costs more. Then people have a higher mortgage payment and a lower tax bill. The costs just don’t go away.”

