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Denver Post Series Uncovers the Corruption of Tax Districts Created by Developers

REAL ESTATE TODAY

By JIM SMITH, Realtor®

Four years ago, on Dec. 17, 2015, I devoted this weekly column to explaining why property tax rates vary so much around the metro area, mostly due to the creation by developers of "metropolitan tax districts" to reimburse themselves for the cost of building the infrastructure for their subdivisions. A follow-up column on July 21, 2016, went into greater detail, giving examples of such tax districts created for Stapleton and Green Valley Ranch in Denver and Solterra and Candelas in Jefferson County. For example, in Candelas, adjacent to Rocky Flats, homeowners are paying a 70-mill tax levy on top of Arvada's mill levy until the tax district infrastructure bonds are paid off. For a home valued at $500,000, that would be an additional property tax burden of nearly $3,000 per year, which would only increase based on rising property values for 30 years following construction.

You can read both columns at JimSmithColumns.com, where all my prior columns are archived.

It was clear to me that homeowners would not recognize the special tax burden they would be facing as they purchased homes, since disclosure of that tax burden is buried in the flurry of documents buyers have to sign at closing.

Now, with more and more owners of homes in such subdivisions realizing what they got themselves into and how unfair it is, it was inevitable that some investigative reporter would dig into this topic in a way that I could not as a full-time Realtor.

Earlier this month, investigative reporter David Migoya's multi-part series on this important topic was published in the Denver Post following eight months of research. Perhaps you read that series.

Migoya provides an excellent summary of what these districts are: "Metro districts are taxing authorities created by subdivision developers, with the consent of the local government, for the sole purpose of selling government-like bonds to finance their projects. Repayment of the bonds is tied to future property taxes assessed to the homes that will eventually be built."

Among the things I learned from Migoya's multi-part series that I did not know or realize when I wrote about metropolitan tax districts in 2015 and 2016 was that this device of creating special tax districts for infrastructure investments began to be utilized because 1992's Taxpayer Bill of Rights (TABOR) made it harder for cities or the county to invest in the infrastructure of new subdivisions, even though these subdivisions would ultimately pay for themselves through new property taxes. (I'm not fully convinced of that argument, since many newer subdivisions, including mine, were built without such tax districts.)

Migoya's series went further to describe the scheming which kept property owners from being able to control the tax districts once the subdivisions were fully built out.

If you are in one of those newer subdivisions, you probably are subject to such a mill levy. If you didn't read the series when it was published in the main section of this newspaper, I suggest you Google "Denver Post metropolitan tax districts" and read the full series. It should make your blood boil.

One could apply "scandalous" to how these tax districts were created and are run to profit developers at the expense of unwitting future homeowners, but the fact is that what the developers have done is legal, manipulating laws passed by the General Assembly and signed into law by previous Governors.

As Migoya explained so well in his opening installment on December 5th, "Colorado law permits developers to elect themselves to serve on a district's board of directors, then use that position to approve tens of millions of dollars in public financing for their businesses, and leverage the property taxes on homes they haven't yet built. No regulations stop these developer-controlled boards from approving arrangements that are financially advantageous to their business, allowing them to finance overly ambitious plans without fear of liability, knowing future homeowners ultimately shoulder the burden."

Surely the upcoming legislative session will feature hearings and legislation to address the worst abuses of this tax district tool, but the damage may be irreversible in the state's 1,800 such existing tax districts, since they were created pursuant to existing laws.

Depending on how aware buyers and their agents become of these oversized tax burdens, the resale value of homes in those subdivisions should reflect the fact that they have a far greater tax burden than comparable homes in areas without such a developer-created tax district. You can count on Golden Real Estate's brokers being knowledgeable in this area.

The Value of Local Journalism

I have been concerned that the reduction in the reporting staff at the Denver Post would make investigate series like the one above a thing of the past. The "Afghanistan Papers" series by the Washington Post is another example. Subscribers make the investment in such journalism possible, so thank you for subscribing to the Denver Post.

By the way, please note that this "advertorial" also needs your support. It is our primary marketing tool. You can assure this column's continuation by coming to us with your real estate needs and recommending us to others. Thank you!

The Future of Heating is Heat Pumps, Not Gas Forced Air

Here in Colorado, as in much of the country, the typical home heating system is gas forced air. A gas flame heats up a plenum across which a fan blows air through ductwork into the various rooms of a house. For cooling, the same ductwork and fan are used, but instead of the flame heating that plenum, the air passes over a set of coils beyond the plenum with super-chilled fluid created by an outdoor compressor.

Gas forced air, however, is relatively inefficient and is only common in the United States because of our exceptionally low cost of natural gas and other fossil fuels.

Elsewhere in the world, heating is done using heat pumps. What is a heat pump? Your central air unit is a heat pump, but it operates in only one direction—extracting heat from indoor air and dissipating it outdoors. A heat pump **heating** system simply reverses that process, creating heat by extracting heat from outdoor air and dissipating it in your home, either through your existing ductwork or through wall-mounted "mini-splits." Unlike gas, a heat pump ***moves*** heat instead of ***creating*** it.

Rita and I replaced our gas furnace in 2012 with a hybrid system by Carrier. It heats our home using the heat pump unless the outdoor temperature falls below freezing, at which point a gas burner kicks in. With our solar panels providing the electricity for the heat pump, our highest mid-winter Xcel bill is under $50. Meanwhile, at our office we got rid of our furnace ***and*** ductwork and installed a mini-split system, also powered by solar panels. As a result, our Xcel bill is under $11/month year-round.

Last Call for Purchasing a Unique Golden Property

On January 1st, my listing at 623 14th Street goes off the market for a couple months. If you are interested in a 19th Century home on 1/2 acre which could also be a development site, call me at **303-525-1851** or visit the listing's website at **www.HistoricGoldenHome.com**.

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