



# CITY OF EL CENTRO

## A Homeowner's Guide to

### Mello-Roos

## Community Facilities Districts

This guide is intended to provide general information about Mello-Roos Community Facilities Districts (CFDs).



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## What is a Mello-Roos Community Facilities District?

### *History*

In 1978, Proposition 13 was enacted by Californians, which limited the ability of many public agencies to finance new projects. In 1982, Senator Henry Mello and Assemblyman Mike Roos affected the passage of the “Mello-Roos Community Facilities Act of 1982” (the Act) authorizing local governments and developers to create Community Facilities Districts (CFDs) for the purpose of selling tax-exempt bonds to fund public improvements and collect revenue for the service and maintenance of the areas in the CFD.

### *Mello-Roos Community Facilities Act*

The Act allows any county, city, special district, school district or joint powers of authority to establish a CFD, which allows for the financing of public services and facilities. Basically, it allows communities to raise funds for improvements to infrastructure (streets, sewers, storm drains) even though Proposition 13 limits their ability to tax property. It also allows raising funds for services, including public safety and maintenance of parks, streetlights, storm drain, and landscaping only to the extent of new growth. In order to establish a CFD, it must be approved by a two-thirds margin of qualified voters in the district. If there are fewer than twelve registered voters within the district, the vote may be passed by current landowners. At the close of the legal proceedings, an established CFD has all the legal privileges of a legally sanctioned governmental body.

## *How are CFDs used?*

New development requires infrastructure (streets, sewers, storm drains). Local governments are forced to require developers to put in the necessary regional infrastructure for new home developments. The developer then adds the cost of this infrastructure to the price of each new home. The homebuyer pays more for the home therefore increasing the amount of the mortgage. Many developers opt for establishing a CFD so they can sell the homes at a lower price. Prior to the sale of the homes, they are the only “voters” in the CFD and thus have the power to create the district for future property owners. The CFD has the power to issue tax-exempt bonds to pay for the infrastructure. The cost is then passed on to the homeowner in the form of annual special taxes. Without the CFD, the homebuyer would probably pay more for the home resulting in a higher mortgage payment, and would also be paying higher property taxes on the increased cost of the home. New development also requires services and maintenance. The CFD for Services provides funding for those services in areas that are considered new growth.

## *City of El Centro CFD's*

The City of El Centro establishes two types of CFDs.

1. The first type is a Bond District established for the purpose of issuing bonds to finance certain public improvements (streets, sewers, storm drains).

2. The second type is a Service District established to fund ongoing services for landscaping and street lighting within and surrounding the area of the CFD. Some of the existing areas are in a bond district as well as a service district (i.e., Legacy Ranch landscaping and lighting district and Legacy Ranch CFD)

### *What is the basis for the special tax?*

Special taxes are levied on properties within the CFD usually based on the square footage of the lot or the home or a type of category (i.e. single family or multi-family). The “Act” allows considerable flexibility in this area and the methods vary widely among districts. The Rate and Method of Apportionment (RMA), which is approved during the CFD establishment proceedings, provides this information for each individual CFD. (See pages 9 for rates for specific CFDs.)

### *How much will my special tax payment be?*

The amount of tax may vary from year to year, but may not exceed the maximum amount specified in the RMA when the district was created. It is the policy of the City of El Centro to maintain stable rates for its residents to the extent possible.

### *When do I pay these taxes?*

CFD special taxes are typically collected on your property tax bill with payments due on December 10th and April 10th of each year. These special taxes are subject to the same penalties that apply to property taxes.

### *What if I don't pay my property tax bill on time?*

CFD special taxes are subject to the same penalties that apply to property taxes. If there are outstanding bonds and the special taxes become delinquent, the CFD may exercise its legal right to foreclose and sell the property after providing the required notifications to the homeowner.

### *How long do I pay these taxes?*

1. If there are CFD bonds, the tax will be levied until the principal and interest on the bonds are paid off. Typically, CFD bonds are paid off over a 30-year period.
2. If the CFD was established to pay for maintenance or other services, the property owner will be taxed as long as the maintenance and/or other services are provided.

### *How is the special tax reflected on real property records?*

Per the “Act,” the special tax is a lien on your property. It is recorded as a “Notice of Special Tax Lien” which stays on the property to make sure that the special tax is paid. Any delinquent payments must be paid before the sale of the property.

## *What are the disclosure requirements?*

California Civil Code Section 1102.6 requires a seller of real property within a CFD to provide the “Notice of Special Tax” to the buyer. When it comes to close escrow on your home, you will be asked to sign many documents. One of these “closing documents” will be the “Notice of Special Tax” which will provide specific information about the Mello-Roos Community Facilities District (CFD) your home is located in.

The seller must disclose all CFDs to you. The disclosure includes:

- The CFD the property is in.
- Which improvement area the Property is in.
- If the tax is increased annually.
- How much the tax is for the current fiscal year.



## **City of El Centro CFDs – Bond Districts**

The following City of El Centro CFD's have issued bonds for the purpose of financing certain public improvements (streets, sewers, storm drains).

1. City of El Centro Community Facilities District
  - NO. 2007-1/ Legacy Ranch

**Community Facilities District No. 2007-1  
(Legacy Ranch)  
Proposed Special Tax Rates Fiscal Year 2009/2010**

The following table summarizes the Maximum and the Proposed Special Tax Rates relating to each land use class.

<b>LAND USE CLASS</b>	<b>SPECIAL TAX RATE MULTIPLIER</b>	<b>RESIDENTIAL FLOOR AREA (SQ FT)</b>	<b>MAXIMUM SPECIAL TAX RATE</b>	<b>PROPOSED SPECIAL TAX RATE<sup>(1)</sup></b>
1	Per square foot of Residential Floor Area	Greater than 3,176	\$944.68/unit	\$944.68/unit
2	Per square foot of Residential Floor Area	2,926-3,175	\$882.26/unit	\$882.26/unit
3	Per square foot of Residential Floor Area	2,676-2,925	\$793.82/unit	\$793.82/unit
4	Per square foot of Residential Floor Area	2,426-2,675	\$721.00/unit	\$721.00/unit
5	Per square foot of Residential Floor Area	2,176-2,425	\$661.68/unit	\$661.68/unit
6	Per square foot of Residential Floor Area	Less than 2,175	\$589.90/unit	\$589.90/unit
7	Per Acre	N/A	\$4,222.98/acre	\$4,222.98/acre

(1) The Proposed Special Tax Rates to be Levied for Fiscal Year 2009/2010 will not exceed the Maximum Special Tax Rates described above.

## **City of El Centro - Service District**

### 1. City of El Centro

#### a. Buena Vista Landscaping & lighting district.

- i. 2009/2010 maximum levy per benefit unit \$140.45
  - per engineer's report – see attached

#### b. Legacy Ranch Landscaping & lighting district.

- i. 2009/2010 maximum levy per benefit unit \$416.43
  - per engineer's report – see attached

*Who can I call for more information?*

If you have additional questions relating to your special tax and what it pays for, please feel free to contact the Administrator of the special tax.

Willdan Financial Services, Administrator:  
(800)755-6864 (toll free)

Willdan Financial Services Website:  
<http://www.willdan.com.com>

*Who can I call for maintenance?*

If you have questions regarding the maintenance in your improvement Area, please contact the Parks department at (760)337-4553