

MELLO ROOS

A Mello-Roos District is an area where a special tax is imposed on those real property owners within a Community Facilities District. This district has chosen to seek public financing through the sale of bonds for the purpose of financing certain public improvements and services. These services may include streets, water, sewage and drainage, electricity, infrastructure, schools, parks and police protection to newly developing areas. The tax you pay is used to make the payments of principal and interest on the bonds.

Proposition 13 in 1978 severely restricted local government in its ability to finance public capital facilities and services by increasing real property taxes. The "Mello-Roos Community Facilities Act of 1982" provided local government with an additional financing tool. The Proposition 13 tax limits are on the value of the real property, while Mello-Roos taxes are equally and uniformly applied to all properties.

What Mello Roos taxes pay for are both services and facilities. The services may be financed only to the extent of new growth, and services include: Police protection, fire protection, ambulance and paramedic services, recreation program services, library services, the operation and maintenance of parks, parkways and open space, museums, cultural facilities, flood and storm protection, and services for the removal of any threatening hazardous substance. Facilities which may be financed under the Act include: property with an estimated useful life of five years or longer, parks, recreation facilities, parkway facilities, open-space facilities, elementary and secondary school sites and structures, libraries, child care facilities, natural gas pipeline facilities, telephone lines, facilities to transmit and distribute electrical energy, cable television lines, and others.

When you purchase an interest in a subdivision within a Community Facilities District you can expect to be assessed for a Mello-Roos tax which will typically be collected with your general property tax bill. These special tax payments are subject to the same penalties that apply to regular property taxes. The tax will stay in effect until the principal and interest on the bonds are paid off along with any reasonable administrative costs incurred in collecting the special tax or so long as it is needed to pay the expenses of services, but in no case shall exceed 40 years.

Most special taxes levied on properties within these districts have been structured on the basis of density of development, square footage of construction, or flat acreage charges. The act, however, allows for considerable flexibility in the method of apportionment of taxes, and the local agencies may have established an entirely different method of levying the special tax against property in the district in question.

The amount of tax may vary from year-to-year, but may not exceed the maximum amount specified when the district was created. In the case of the purchase of a new house within a subdivision, the maximum amount of the tax will be specified in the public report. The Resolution of Formation must specify the rate, method of apportionment, and manner of collection of the special tax in sufficient detail to allow each landowner or resident within the proposed district to estimate the maximum amount that he or she will have to pay.

This special tax is a lien on your property, essentially like a regular tax lien. The lien is recorded as a "Notice of Special Tax Lien" which is a continuing lien to secure each levy of the special tax.

The Mello-Roos tax is assessed against the land, but is not based upon the value of the property, therefore, the possible increased value of the property does not affect the amount of the tax when property is sold. The amount of the tax may not exceed the original maximum amount stated in the Resolution of Formation. Any delinquent payments must be satisfied before the sale of the real property since the unpaid amounts are a lien against the property.

