



Understanding Mello-Roos

When purchasing your new home, your future monthly payments will be made up of principal, interest, real property taxes and insurance, but what is the tax for the Community Facilities District, otherwise known as a Mello-Roos District? Chicago Title has answered some of the questions most commonly asked about the Mello-Roos Community Facilities Act.

What is a Mello-Roos District?

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.

Are the assessments included within the Proposition 13 tax limits?

No. The passage of 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 are my Mello-Roos taxes paying for?

Your taxes may be paying for 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 do I pay these taxes?

By purchasing 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.

How long does the tax stay in effect?

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.

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