



UNDERSTANDING MELLO-ROOS

WHAT IS A MELLO-ROOS FEE?

Mello-Roos refers to special tax districts that receive a separate charge on property tax bills in addition to the 1% property tax rate allowed by Proposition 13. The funds are used exclusively to pay for public facilities such as police and fire departments, schools, parks, roads, traffic lights, water mains and systems, emergency services and libraries.

WHO AUTHORIZED THE ESTABLISHMENT OF MELLO-ROOS DISTRICTS?

When Proposition 13 passed in 1978, local governments were unable to use property taxes to construct roads, schools and vital community facilities so California needed an alternative way to fund community improvements. Co-authored by Senator Henry Mello and Assemblyman Mike Roos, the Mello-Roos Community Facilities Act of 1982 authorized the establishment of Community Facilities Districts (CFDs) by public agencies to obtain fees and issue the necessary tax exempt bonds to fund construction of new public facilities.

HOW ARE MELLO-ROOS ASSESSMENT FEES ESTABLISHED?

Mello-Roos fees are normally established at the request of a major developer to finance the necessary public facilities to serve a new development but are also used in older areas to finance schools or community additions.

HOW CAN I DETERMINE IF MY PROPERTY IS IN A MELLO-ROOS DISTRICT?

Your property tax bill will identify Mello-Roos fees as a CFD, followed by a number and the amount of the tax which varies from one CFD to another. The tax might vary year-to-year but may not exceed the maximum amount specified in the Public Report when the district was established.

HOW MUCH IS A TYPICAL MELLO-ROOS ASSESSMENT FEE?

Typically, a formula that relates to the size of the home (lot size or square footage) is used to determine the amount of an individual assessment. The amount of taxes is established before the home is built. Whereas Prop 13 limits are on the value of the home, Mello-Roos taxes are equally and uniformly applied to all properties.

HOW DO I PAY THESE TAXES?

Your Mello-Roos tax will typically be collected with your general property tax bill.

HOW ARE MELLO-ROOS REFLECTED ON REAL PROPERTY RECORDS?

Mello-Roos show as a lien on the property similar to a regular tax lien and are recorded as a "notice of special tax lien" to differentiate a continuing lien to secure each levy of the special tax.

WHEN A PROPERTY IS SOLD, HOW ARE MELLO-ROOS AFFECTED?

When reselling a property in a CFD, the Seller must disclose to and provide the Buyer with a Notice of Special Tax from the local agency that levies the Mello-Roos. Mello-Roos tax is not based on the value of the property; they are assessed against the land so any increase in a property's value will not affect the tax amount upon sale of a property. Any delinquent payments must be satisfied before the sale of real property since the unpaid amounts are liens.

WHAT HAPPENS IF A TAX PAYMENT IS LATE?

Because the Mello-Roos tax is usually collected with your general property tax bill, the Facilities District that obtained the lien may withdraw the assessment from the tax roll and begin foreclosure proceedings after 90 days. Mello-Roos taxes are subject to the same penalties that apply to regular property taxes.

HOW LONG WILL THESE MELLO-ROOS FEES BE IN EFFECT?

The bonds are normally paid off in 20 years and cannot exceed 40 years. Those who purchase a new home have the option to pay for their Mello-Roos tax in its entirety at the time of purchase.

WILL MY MELLO-ROOS FEE INCREASE?

Mello-Roos taxes can increase but only by a maximum rate of 2-percent annually over a 25-year period. It's also possible that this tax will decrease if State or other funds become available that could be used to reduce existing bond indebtedness or to construct new facilities in lieu of additional bond sales.

WHO CAN I CONTACT REGARDING MELLO-ROOS FEES?

Contact your local County Assessor's office to obtain the contact information and phone numbers for each Mello-Roos District.



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