



WHAT IS MELLO-ROOS?

Mello-Roos refers to “special” tax districts. Senator Henry J. Mello and former Assemblyman Michael Roos won passage of Mello-Roos Community Facilities Act in 1982. This legislation authorized Mello-Roos Community Facilities District as a way to assist cities, counties and school districts to provide new infrastructure and facilities after governmental funds were cut by the passage of Proposition 13 in 1978.

Before Proposition 13, state and local governments used income collected through property taxes to build new roads, schools and other necessary community facilities. In order to continue building residential areas, these same governments were forced to require builders of new communities to pay for these public facilities. Consequently, these funds were added to the cost of homes.

These price increases hurt new home buyers as fewer people were able to afford higher-priced homes. Those who could had to wait for the public facilities to be built.

Under Mello-Roos Community Facilities Act, landowners put up their land as collateral so that public agencies, like a school district, could raise money to pay for vital basic public facilities. The public agency forms a Mello-Roos Community District that sells bonds to fund the construction of these new public facilities. A bond allows for payment over a specific amount of time through special taxes levied on property owners in that particular district. Mello-Roos taxes are collected by the County Tax Collector as part of the normal property tax system.

Not all new home communities are affected by Mello-Roos special taxes. For example, sometimes a new neighborhood is built within existing communities. Because public facilities are already in place, they are not subject to Mello-Roos taxes.

The preceding summaries are provided for informational purposes only. For a more comprehensive understanding of the legal/tax consequences of Mello-Roos, appropriate consultation is recommended with an attorney and/or CPA for specific advice.



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SPECIAL ASSESSMENTS

- A. The basic theory of a special assessment on real property is that only the real property directly benefitted by a work of improvement should be charged with a lien to secure the payment thereof. (See Mello-Roos Community Facilities Act, Government Code §53311 et. seq.).
- B. The most common method by which local governmental agencies construct and finance local improvements is through the formation of local improvement districts. Bonds of the district are sold and payment of the bonds secured by assessments levied upon individual parcels of real property.
- C. Some of the more common local improvement projects financed by special assessments are:
- Support of schools
 - Flood control
 - Streets and sidewalks
 - Irrigation
 - Sanitary sewers
 - Street lighting

The most common statutory enactments authorizing and directing the formation, financing and management of improvement districts are the following: The Improvement Act of 1911 (Sts. & Hy. Code, §5000 et. seq. and Public Contract Code, §20410 et. seq.).

LIEN OF SPECIAL ASSESSMENTS

The lien of special assessments to secure the payment of local public improvements attaches to the parcels of land benefitted and to all improvements and fixtures thereon. The amount of each assessment generally approximates the ratio of which the increased value of the parcel bears to the entire cost of the improvement.

PAYMENT OF SPECIAL ASSESSMENTS

The payment of an assessment is ordinarily spread out over a period of years requiring the annual payment of principal and interest. In some instances, the payments are spread on the secured tax roll and collected with the installments of county real property taxes. In some cases, payment of the special assessment must be made to a different county or municipal office.

In the event that a local improvement district has been formed, some types of improvements require ongoing maintenance financed by annual charges to individual property owners which are separate and apart from the lien of special assessment and which continue even after the special assessment has been paid.

