

California

PROPERTY TAX INFORMATION



A Community Rehabilitation District is created by a city or county to finance the rehabilitation, renovation, repair or restoration of existing public infrastructure.

www.californiataxdata.com

100 Pacifica, Suite 470

Irvine, California 92618

Tel 949-789-0660

Fax 949-788-0280

What is a Community Rehabilitation District?

Background:

Many California public works such as roads, bridges and water systems have been undermaintained or are simply old enough to require rehabilitation or replacement. Due to budget constraints, many local governments do not have a viable means of financing needed rehabilitation of these facilities. Consequently, the Community Rehabilitation District Law of 1985 was created to provide a means for updating these systems so neighborhoods remain safe with all public services intact.

The Community Rehabilitation District Law of 1985

This law (Government Code §53370 *et seq.*) provides a means for cities and counties to finance the rehabilitation, renovation, repair or restoration of existing public infrastructure. Types of facilities that can be improved include streets, sewer and water pipes, storm drains, sewer and water treatment plants, bridges and overpasses, street lights, public buildings, criminal justice facilities, libraries and park facilities. It can also finance the expansion of facility capacity or the conversion to alternative technology.

This law cannot, however, be used to pay for maintenance, and a Community Rehabilitation District cannot be formed within a redevelopment project area.

The 1985 Act allows a Rehabilitation District to use any of the following financing tools to raise money needed to pay for the renovation:

- Special assessments under the Improvement Act of 1911 and the Municipal Improvement Act of 1913 and bonds under the Improvement Bond Act of 1915.
- Special taxes and bonds using the Mello-Roos Community Facilities Act of 1982.
- Fees or charges, provided that these do not exceed the amount reasonably necessary to cover the cost of the involved project.
- Senior obligation bonds under the 1985 Act's own provisions (Gov. Code §53387 *et seq.*).

How is a Community Rehabilitation District Formed?

The sponsoring agency will propose a new district by adopting a resolution of intention. Then, public notice must be provided over a period of 5 weeks prior to a public hearing. There are additional procedural requirements when a Rehabilitation District involves the issuance of bonds. In those cases, a Rehabilitation District must be approved by the property owners or registered voters in compliance with the financing method that is being used. For example, Mello-Roos financing will require that a 2/3rds majority of the property owners or registered voters approve the financing, while a 1915 Act bond financing will require majority approval of property owners during an assessment balloting procedure.

How is the Annual Charge Determined?

The calculation of the annual charge will be based on the form of financing used. However, in general this is considered a benefit assessment so any charge must be based on the actual benefit received by each property.

How Long Will the Charge Continue?

If bonds are issued, the charge will continue until the bonds are paid off. If no bonds are issued, the charge may continue as long as needed to complete improvements, or as otherwise authorized during district formation.

IMPORTANT TO KNOW:

- **Rights to Accelerated Foreclosure.** If Mello-Roos, 1915 Act or 1911 bonds are issued by the Rehabilitation District, it is important for property owners to pay their tax bill on time. In those cases, the District has the right (and the obligation) to foreclose on property when assessments or special taxes are delinquent for more than a specific time period (usually 90 to 180 days). Additionally, any costs of collection and penalties must be paid by the delinquent property owner. This is considerably faster than the standard 5 year waiting period on county ad valorem taxes.