



**COUNTY OF LOS ANGELES  
TREASURER AND TAX COLLECTOR**

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 437, Los Angeles, California 90012  
Telephone: (213) 974-2101 Fax: (213) 626-1812  
ttc.lacounty.gov and propertytax.lacounty.gov

**KEITH KNOX**

ACTING TREASURER AND TAX COLLECTOR

Board of Supervisors  
HILDA L. SOLIS  
First District  
MARK RIDLEY-THOMAS  
Second District  
SHEILA KUEHL  
Third District  
JANICE HAHN  
Fourth District  
KATHRYN BARGER  
Fifth District

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

September 03, 2019

35 September 3, 2019

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

CELIA ZAVALA  
EXECUTIVE OFFICER

Dear Supervisors:

**APPROVAL OF COUNTY OF LOS ANGELES  
COMMUNITY FACILITIES DISTRICT GOALS AND POLICIES  
(ALL DISTRICTS)  
(3-VOTES)**

**SUBJECT**

Recommendation to approve the updated County of Los Angeles Community Facilities District Goals and Policies (the "CFD Policy") as Board Policy 4.047 in order to ensure that the development and financing of public infrastructure and services within the County of Los Angeles using community facilities districts ("CFDs") is managed in accordance with sound fiscal policy for the benefit of County residents.

**IT IS RECOMMENDED THAT THE BOARD:**

Adopt the Resolution approving the CFD Policy and approve its incorporation into the Board Policy Manual as Board Policy 4.047.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The purpose of the CFD Policy is to govern the formation of CFDs, the sale of CFD bonds to finance public infrastructure, and the subsequent administration of special taxes levied by CFDs on parcels within their respective jurisdictions. On January 25, 1994, the County of Los Angeles adopted local goals and policies (the "1994 CFD Policy") concerning the use and application of the Mello-Roos Community Facilities Act of 1982 (the "Mello-Roos Act") to comply with the requirements of Section 53312.7 of the California Government Code (the "Government Code"). Our departments are recommending that your Board approve an updated CFD Policy and incorporate the CFD Policy in

the Board of Supervisors' Policy Manual. In the process of updating the 1994 CFD Policy, our departments sought input from the Mello-Roos Task Force consisting of staff from the Chief Executive Office, Los Angeles County Development Authority, County Counsel, Fire, Health Services, Library, Parks and Recreation, Public Works and Sheriff.

The updated CFD Policy includes clarification and updates to key aspects of the 1994 CFD Policy, with the most significant changes including the following:

- The list of eligible facilities that can be financed with CFD bonds is expanded to include facilities for flood and storm protection services and other governmental facilities.
- Revisions to allow for the financing of certain services with an annual CFD tax levy that are authorized under Section 53313 of the Government Code. Such services include, but are not limited to: police, fire and paramedic services; operation and maintenance of recreational facilities; biological mitigation measures, street lighting and public rights of way landscaping; and road maintenance.
- The minimum value-to-lien ratio increased from 3:1 to 4:1 as it pertains to the aggregate property value within a CFD relative to the amount of bonds sold.

### **Implementation of Strategic Plan Goals**

The recommended action supports County Strategic Plan Strategy III.3 - Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability.

### **FISCAL IMPACT/FINANCING**

All expenses for each CFD, including debt service payments on CFD bonds issued to finance public infrastructure, are the legal obligation of the property owners within the CFD, with no financial recourse to the County.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The Mello-Roos Act was enacted by the State of California in 1982 to enable local governments to form CFDs to fund the construction, acquisition, operation, maintenance, or enhancement of certain public facilities and services. The Mello-Roos Act authorizes the issuance of bonds to finance public facilities, and the levying of special taxes to pay the debt service on CFD bonds and to provide funding for certain public services provided to property owners and residents within a CFD.

Pursuant to Section 53312.7 of the Government Code, the CFD Policy is a document that is required to be adopted by the Board prior to the initiation of CFD formation proceedings and which must include the following:

- (1) A statement of the priority that various kinds of public facilities and services shall have for financing through the use of the Mello-Roos Act, including public facilities to be owned and operated by other public agencies, including school districts, and services to be provided by other public agencies.
- (2) A statement concerning the credit quality to be required of bond issues, including criteria to be used in evaluating the credit quality.

- (3) A statement concerning steps to be taken to ensure that prospective property purchasers are fully informed about their taxpaying obligations imposed under the Mello-Roos Act.
- (4) A statement concerning criteria for evaluating the equity of tax allocation formulas, and concerning desirable and maximum amounts of special tax to be levied against any parcel pursuant to the Mello-Roos Act.
- (5) A statement of definitions, standards, and assumptions to be used in appraisals required by Section 53345.8 of the Government Code.

The County adopted the 1994 CFD Policy on January 25, 1994 in compliance with Government Code Section 53312.7. The revised CFD Policy that is being recommended for adoption by your Board includes updated guidelines for the County's use of CFDs to finance various types of public facilities and services for the benefit of County residents.

Subject to Board approval, the CFD Policy allows for any policy or goal stated therein to be supplemented or amended and for any provision set forth therein to be waived or changed for a specific project. The CFD Policy is subject to periodic review and update (with Board approval) by the TTC and Regional Planning, either as the result of material changes in market conditions, best practices, or if any legal and/or regulatory requirements warrant such an update. All updates to the CFD Policy will require approval by your Board.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

There is no impact on current services or projects.

**CONCLUSION**

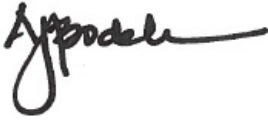
Upon approval, it is requested that the Executive Officer-Clerk of the Board of Supervisors return two originally executed copies of the adopted Resolution to the Treasurer and Tax Collector and Regional Planning.

The Honorable Board of Supervisors

9/3/2019

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Respectfully submitted,



Amy J. Bodek, AICP  
Director



KEITH KNOX  
Acting Treasurer and Tax Collector

KK:AJB:TG:JP:JW

Enclosures

c: Sheriff  
Chief Executive Office  
County Counsel  
Community Development Commission  
Fire  
Health Services  
Library  
Parks & Recreation  
Public Works

**A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY  
OF LOS ANGELES, CALIFORNIA APPROVING THE COUNTY OF LOS ANGELES  
COMMUNITY FACILITIES DISTRICT GOALS AND POLICIES**

**WHEREAS**, the Board of Supervisors (the “Board”) of the County of Los Angeles (the “County”) recognizes the benefit of ensuring that the development and financing of public facilities and services within the County using community facilities districts (“CFDs”) is managed in accordance with sound fiscal policy for the benefit of County residents; and

**WHEREAS**, the Mello-Roos Community Facilities Act of 1982, commencing with Section 53311 of the California Government Code (the “Act”), provides a mechanism to fund public improvements and services through the levy of special taxes within a CFD; and

**WHEREAS**, on October 3, 1991, the Board instructed the Director of Public Works to coordinate with representatives from other appropriate County Departments to form an Interdepartmental Task Force (the “Mello-Roos District Task Force”) to report the benefit of Mello-Roos financing;

**WHEREAS**, Section 53312.7(a) of the Act requires that the County adopt local goals and policies concerning the use of the Act as a prerequisite to initiating proceedings on or after January 1, 1994 to establish a new CFD under the Act; and

**WHEREAS**, on January 25, 1994, the County previously adopted the Community Facilities District Goals and Policies (the “CFD Policy”), as required by the Act; and

**WHEREAS**, updates to the CFD Policy have been approved by the Mello-Roos District Task Force, which includes various County departments with responsibility for different aspects of the CFD formation, financing and administration processes; and

**WHEREAS**, on August 21, 2019, the updated CFD Policy was approved by the Los Angeles County Audit Committee; and

**WHEREAS**, the Board finds and determines that adoption of the attached updated CFD Policy for inclusion into the Board Policy Manual will help ensure that the formation of CFDs within the County, the levying of special taxes, and the issuance of CFD bonds are managed prudently in accordance with sound fiscal policy, and is in compliance with Board Policy No. 4.045 - Debt Management Policy;

**NOW, THEREFORE, THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:**

**Section 1. Recitals.** All of the above recitals are true and correct.

**Section 2. Approval of the CFD Policy.** The Board hereby adopts the attached CFD Policy as the County of Los Angeles Community Facilities District Goals and Policies, and approves the inclusion of the CFD Policy into the Board Policy Manual.

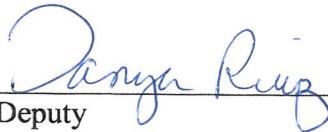
**Section 3. Authorization to Manage CFD Functions.** The Treasurer and Tax Collector and Regional Planning are hereby authorized to manage the CFD formation and financing functions, and related administration processes for the County in accordance with the CFD Policy.

**Section 4. Effective Date.** This Resolution shall take effect from and after the date of its adoption.

The foregoing resolution was adopted on the 3RD day of SEPTEMBER, 2019, by the Board of Supervisors of the County of Los Angeles and *ex officio* the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.



CELIA ZAVALA  
Executive Officer-Clerk of the Board of Supervisors  
of the County of Los Angeles

By:   
Deputy

APPROVED AS TO FORM:

MARY C. WICKHAM  
County Counsel

By:   
Deputy County Counsel



*Los Angeles County*  
**BOARD OF SUPERVISORS POLICY MANUAL**

Policy #:	Title:	Effective Date:
<b>4.047</b>	<b>Community Facilities District Goals and Policies</b>	

**PURPOSE**

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The purpose of this Community Facilities District Goals and Policies is to establish written policies and guidelines to govern the formation and financing of public infrastructure and services within the County of Los Angeles using community facilities districts (“CFDs”) in accordance with sound fiscal policy for the benefit of County residents. While controls have been in place since 1987, the Board adopted the Mello-Roos Community Facilities Act Goals and Policies in January 1994, which have been updated in September 2019 for incorporation into the Board’s Policy Manual.

**REFERENCE**

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January 10, 1994 Treasurer and Tax Collector and Regional Planning Board Letter  
August 14, 1987 Department of Public Works Board Letter  
August 20, 1985 Title 21 Los Angeles County Code, Ordinance No. 85-0136

**POLICY**

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**SECTION I: INTRODUCTION**

The County of Los Angeles Community Facilities District Goals and Policies (Policy) concerning the use of the Mello-Roos Community Facilities Act of 1982 (Act) has been adopted by the County of Los Angeles (County) pursuant to Section 53312.7 of the California Government Code (Government Code). Accordingly, the County is authorized to initiate proceedings to establish Community Facilities (Mello-Roos) Districts (CFDs) pursuant to the Act. The Policy includes guidelines to govern the formation of CFDs, the sale of CFD bonds and the subsequent administration of special taxes levied by CFDs on parcels within their respective jurisdictions.

The County will consider applications for the formation of CFDs initiated by owners or developers of vacant property proposed to be developed, owners of property within existing developed areas or registered voters residing in existing developed areas, or the County itself may provide for the establishment of CFDs to finance public improvements or to provide public services authorized under the Act and approved in accordance with the

provisions hereof.

The determination to proceed with the formation of any CFD and/or provide for the issuance of CFD bonds is solely with the discretion of the County. Any policy or goal stated herein may be supplemented or amended and any provision set forth herein may be waived or changed for a specific project by an action of the County of Los Angeles Board of Supervisors (Board).

## **SECTION II: ELIGIBLE FACILITIES AND SERVICES**

Pursuant to Government Code Section 53312.7(a)(1), the County will prioritize various kinds of public facilities and services for financing as described below.

Subject to the requirements of the Act, facilities eligible for CFD financing include public facilities required by residential, commercial and industrial subdivisions, when those facilities represent a significant regional benefit. For purposes of this Policy, public facilities are defined as those facilities which benefit the surrounding community. The County shall prioritize for CFD financing, public facilities for which the County, or a public agency as determined appropriate by the County, has normal operating and maintenance responsibility, that provide a significant regional benefit.

Subject to the requirements of the Act, the types of facilities which may be financed include any facility eligible to be financed under Section 53313.5 of the Government Code as it now exists or may be amended in the future. Eligible facilities which may be financed include, but are not limited to:

1. Streets
  - a. Streets and roads
  - b. Collector streets which significantly improve the level of service on adjacent or connecting highways
2. Utilities, sewer, water and drainage facilities as permitted by law, such as:
  - a. Facilities located within an eligible road, as specified above
  - b. Regional facilities required as a condition of approval of a tentative map
  - c. Facilities for flood and storm protection services
3. Additional facilities which may be financed include, but are not limited to:
  - a. Parks, recreational facilities, open-space facilities, and multi-use trails
  - b. Libraries
  - c. Senior centers
  - d. Fire and sheriff stations
  - e. Health care facilities
  - f. School sites
  - g. Other governmental facilities
  - h. Child care facilities

The County shall determine, in its sole discretion, whether a proposed facility shall be CFD financed.

It is the policy of the County to give priority to the provision of public facilities benefiting the County in any CFD established by the County. The Board shall have the final determination as to the prioritization of financing of any facilities.



Subject to the requirements of the Act, the services eligible for CFD financing include services that are authorized under Section 53313 of the Government Code as it now exists or may be amended in the future. These services include, but are not limited to:

1. Police, fire protection and paramedic facilities and services
2. Operation and maintenance of parks, recreational facilities, open space, and multi-use trails
3. Biological mitigation measures involving land acquisition, dedication and revegetation
4. Street lighting and public rights of way landscaping
5. Road maintenance

In accordance with Section 53313, the County will not issue bonds to fund any of the services specified in Section 53313, although it may issue bonds to fund capital facilities to be used in providing these services.

Generally, a CFD formed by the County may not finance public services provided by any other public agency, but the County retains the right and sole discretion to consider applications to finance services on a case-by-case basis.

### **SECTION III: ELIGIBLE SUBDIVISION PROJECTS**

It is the strong preference of the County that subdivision project entitlements have progressed to the approved tentative map stage prior to formation of a CFD. In extraordinary circumstances, the County may consider formation of a CFD prior to tentative map approval when such a formation can be justified to the County's satisfaction. In no event will the County issue CFD bonds prior to the developer obtaining approved tentative maps for all land that will provide security for a bond issue.

### **SECTION IV: APPLICATION AND DEPOSIT PROCESS**

The Application to Consider Formation of County of Los Angeles Community Facilities (Mello-Roos) District for a proposed CFD can be obtained from the County Treasurer and Tax Collector (TTC) and completed applications should be returned to the TTC. The TTC will forward completed applications to each member of the County of Los Angeles Community Facilities (Mello-Roos) District Task Force (Task Force) for review (Attachment 1 is a listing of Task Force members). The Task Force will review the application for conformance with the Policy and make a recommendation to the Board regarding the application (Attachment 2 lists the steps to be taken by the Board relating to formation of a proposed CFD). The County reserves the right to request additional reports, information and/or studies reasonably necessary to evaluate an application. The failure of an applicant to provide complete and accurate information and/or the failure to notify the County of material changes may result in the County's cessation of CFD evaluation, formation and/or bond issuance.

The County will not incur any costs or make any advance payments in connection with its review of a proposed CFD. All costs incurred by the County prior to formation of a CFD, including but not limited to consultant costs, County staff and administrative costs and related expenses, costs of printing notices, printing and publication costs, and all expenses directly or indirectly relating to these items, shall be advanced by the applicant. The County shall require an initial deposit in an amount determined by the County

to fund initial staff and consultant costs associated with CFD review and implementation. The deposit shall be replenished as needed to off-set costs and expenses incurred by the County. If the applicant fails to make a necessary deposit of additional funds within 10 business days of receiving notice that additional funds are needed, the County may suspend all work related to the CFD formation until receipt of such additional deposit.

Advances to the County for formation review costs shall be made pursuant to a Deposit and Reimbursement Agreement entered into between the applicant and the County. The County shall not accrue or pay any interest on any portion of the deposit refunded to any applicant or the costs and expenses it reimburses to an applicant.

After formation of a CFD and the sale of bonds, an applicant may be reimbursed from bond proceeds for certain expenses approved by the County, subject to the limitations of applicable State and federal law. Such reimbursement does not include applicant's counsel or their consultants. Neither the County nor the CFD shall be required to reimburse an applicant or property owner from any funds other than the proceeds of CFD bonds and monies remaining in any fund or account created pursuant to the Deposit and Reimbursement Agreement.

## **SECTION V: USE OF CONSULTANTS**

The County shall select and employ consultants necessary for the review of any application, the formation of the CFD and the sale of CFD bonds. Such consultants can include municipal advisors, bond counsel, disclosure counsel, market absorption analysts, special tax advisors, appraisers, engineering firms and other consultants as deemed necessary by the County. The County shall also select the underwriter(s) for the sale of CFD bonds. Prior consent of the applicant shall not be required in the County's determination of the consultant and underwriting teams.

An applicant may retain its own consultants for its own benefit and at its own expense.

## **SECTION VI: APPROVED FACILITIES**

After review by the Task Force, an applicant must negotiate with the appropriate County department regarding financing and acquisition by the CFD of facilities that would normally be operated or maintained by that department. For example, a fire station financed by the CFD would need the approval of the Fire Department.

The developer must negotiate a single Funding and Acquisition Agreement between the developer and the appropriate County departments for those eligible facilities to be financed by a CFD. Such an agreement will require that the CFD acquires only facilities that are complete, or discrete portions or phases of facilities that are complete. The appropriate County department will make the determination as to when facilities, or discrete portions or phases of facilities, are complete.

## **SECTION VII: VALUE-TO-LIEN RATIO AND APPRAISAL**

The County may sell CFD bonds only if it determines that the value of the real property that would be subject to the special tax to pay debt service on the CFD bonds will be at least four times the principal amount of the CFD bonds to be sold plus the principal

amount of all other bonds outstanding that are secured by a special tax levied on property within the CFD or a special assessment levied on property within the CFD. The County will consider overlapping CFDs in determining the minimum value-to-lien ratio, without exception. The County, in its sole discretion, may require a higher value-to-lien ratio based on market and economic conditions. The value-to-lien ratio for each parcel within the CFD may be less than 4:1, but not less than 2:1, as long as the overall valuation of the CFD is at least 4:1. The County retains sole discretion as to whether to sell CFD bonds when the 4:1 minimum value-to-lien ratio for the overall CFD as well as the 2:1 minimum value-to-lien ratio for each parcel in the CFD are met. The County may consider the use of escrow bonds to finance additional improvements. Proceeds may be released from escrow upon satisfaction of the County's required minimum value-to-lien ratio for the specific financing. Proceeds not released for improvements shall be used to redeem bonds.

The appraised value of the land within a proposed CFD will be determined by an independent appraiser selected by the County. The appraiser will consider the cost of improvements that have been financed by the CFD or that will be financed in the current bond issue by the CFD and only those existing developer financed improvements in place at the time of appraisal. The appraisal criteria and methodology will be specified by the County in its contract with the appraiser.

Attachment 3 Community Facilities District Appraisal Guidelines contains appraisal guidelines for CFDs.

## **SECTION VIII: MARKET ABSORPTION STUDY**

The County may require an independent absorption study of any proposed residential development project within a proposed CFD, and in such other cases as may be appropriate, prior to the issuance of CFD bonds. The County retains the right and sole discretion to require an independent absorption study. The County shall use the independent absorption study (1) as a basis to verify the proposed base pricing of the finished properties (lots or completed buildings or dwelling units) subject to the levy of the special tax, (2) to determine the projected market absorption of such properties and (3) as a basis to verify that sufficient special tax revenues can be generated to fund the special tax requirement for the CFD. The County may require an independent absorption study of any proposed industrial or commercial development within a proposed CFD. Additionally, the County will provide the projected absorption rates to the appraiser for use in the appraisal.

## **SECTION IX: SPECIAL TAX FORMULA AND RATE AND METHOD OF APPORTIONMENT**

Pursuant to Government Code Section 53312.7(a)(4), the County will consider the information described below when evaluating the equity of tax allocation formulas, as well as desirable and maximum amounts of special tax to be levied against any parcel pursuant to the Act.

The special tax formula will be developed in a manner which treats landowners in the CFD equitably. In a residential CFD, ultimately the County will seek to ensure that the property owner's interest is protected. Accordingly, the following components will be built into the special tax formula as appropriate:

Special Taxes for Facilities:

- a. Interest earnings for funds established in the CFD financing will accrue to the benefit of each specific fund during the life of the fund. Excess interest earnings shall be used as an offset to the calculation of the annual special tax levy.
- b. Debt service will be structured to be level.
- c. Undeveloped land will bear a fair share of the annual special tax.
- d. The special tax will be structured not to exceed 2% of the projected assessed value of each improved parcel within the CFD when added to the ad valorem property tax, voted indebtedness, overlapping CFDs and direct assessments.
- e. A backup special tax or equivalent thereof will be required for every CFD to account for changing land uses after bonds are issued.
- f. The special tax will be structured as a flat tax, with no annual escalation.
- g. The term of the bonds secured by the special tax shall not exceed the maximum term permitted under the Act.
- h. Capitalized interest may be limited to the time required to levy and collect the special tax on the tax roll so that it will be available for debt service payments.

Special Taxes for Services:

- a. Annual special taxes for services will be identified and included in the formula.
- b. Annual special taxes may include escalators taking into account the actual cost of services. In developing the initial special tax formula, a reasonable annual escalator should be included in the special tax for services.
- c. If a special tax for services is levied, the special tax for services must be included when calculating the not-to-exceed 2% cap described above under "Special Taxes for Facilities."

The rate and method of apportionment for the special taxes must be structured so as to produce special tax revenues sufficient to pay:

- a. Debt service on the CFD bonds and
- b. Reasonable and necessary annual administrative expenses of the CFD and the CFD bonds.

Additionally, the rate and method of apportionment may be structured so as to produce amounts sufficient to fund:

- a. Any amounts required to establish or replenish a debt service reserve fund for the bonds,
- b. Amounts to pay directly costs of facilities authorized by the CFD,
- c. Amounts equal to delinquencies, and
- d. Any other costs or payments permitted by law.

The special tax rate and method of apportionment must be structured such that the projected maximum special tax that could be levied in any fiscal year would produce special tax revenues at least equal to (a) 110% of projected annual debt service on the bonds for the current fiscal year plus (b) projected administrative expenses of the CFD for the current fiscal year. Generally, the special tax rate and method of apportionment will be structured to allow prepayment of special taxes by property owners.

The CFD may designate one or more improvement areas, and a separate rate and method of apportionment may be applicable to each improvement area.

The CFD may also designate future improvement areas, which may be annexed to the

CFD into an improvement area as prescribed in the Act.

## **SECTION X: APPLICANT CREDIT EVALUATION**

The applicant must demonstrate the financial ability to make all special tax payments during the time that the project being financed by the CFD is being constructed. Among other things, the applicant must make available all necessary audited financial statements, as determined by the County and its consultants. In certain cases, the County may require that the applicant post a letter of credit or cash as security for the payment of special taxes during the construction period.

## **SECTION XI: JUDICIAL VALIDATION**

The County retains the right and sole discretion to require a judicial validation of CFD formation proceedings and special taxes prior to the sale of any CFD bonds.

## **SECTION XII: TERMS AND CONDITIONS OF BOND SALES**

Pursuant to Government Code Section 53312.7(a)(2), the County will evaluate the credit quality of CFD bonds and will establish all terms and conditions of any CFD bond sales. The terms and conditions include, but are not limited to:

1. Determination of the amount of capitalized interest required, if any.
  - a. Capitalized interest may be limited to the time required to levy and collect the special tax on the tax roll so that it will be available for debt service payments.
  - b. The capitalized interest period shall not exceed the statutory limit of 24 months.
2. Determination of the term and interest rate on the bonds.
  - a. The maximum term of CFD bonds issued should not exceed the maximum term permitted under the Act.
  - b. Debt will typically be structured for the shortest reasonable period possible.
  - c. The County may issue fixed or variable rate bonds based on its financing needs and market conditions existing at the time of issuance.
3. Determination of the debt service reserve fund amount and its funding source.
  - a. The County shall allocate a portion of the proceeds from CFD bonds to a debt service reserve fund in order to achieve the lowest possible cost of financing.
  - b. The County reserves the right to waive establishment of a debt service reserve fund.
  - c. Per federal tax rules at the time this Policy was formed, the size of the reserve fund on a tax-exempt bond issue shall be the lesser of:
    - i. 10% of the initial principal amount of the debt;
    - ii. 125% of average annual debt service; or
    - iii. 100% of maximum annual debt service.
4. In lieu of holding a cash funded reserve, the County may substitute a reserve surety bond or other credit instrument in its place, if such alternative reserve instrument provides a more cost-effective solution.
5. Sale of the bonds.
  - a. Except as otherwise approved by the County, the County will require all major land

- use approvals and governmental permits necessary for development of land in the CFD to be substantially in place before bonds may be issued.
- b. The property tax delinquency rate on properties within a CFD shall be no greater than 5% at the time of any sale of CFD bonds, with an exception for the issuance of refunding bonds.
  - c. It is the ultimate decision of the County to sell bonds.
  - d. The County will determine the need for credit enhancement.
6. Credit enhancement may be used to improve or establish a credit rating on the bonds. Types of credit enhancement include letters of credit (LOC), bond insurance and surety policies. LOCs shall be issued by an institution, in a form and upon terms and conditions satisfactory to the County. The County may require the use of credit enhancement if it reduces the overall cost of the proposed financing or if the use of such credit enhancement furthers the overall financial objectives.

### **SECTION XIII: DISCLOSURE REQUIREMENTS**

Pursuant to Government Code Section 53312.7(a)(3), the County will take steps to ensure that prospective property purchasers are fully informed about their taxpaying obligations imposed under the Act. In addition to any disclosure provided by the developer, the developer will be contractually obligated through the Funding and Acquisition Agreement and under State law, to give to each prospective property purchaser, prior to or at the time a purchase contract is entered into, the disclosure regarding the special tax on the property and the facilities and/or services financed by the CFD. The County reserves the right to require additional disclosure procedures in any particular case. The County may prescribe specific forms to be used to disclose the existence and extent of obligations imposed by the CFD.

Additionally, State law requires that the governing body of the CFD provide to any person who requests it, a disclosure notice as detailed in the Government Code.

Each owner of a property within the CFD that has not reached its planned development stage and who will be responsible for a substantial portion (as determined by the County) of the payment of special taxes, will be required to provide for inclusion in the official statement or other offering materials distributed in connection with the offering and sale of the CFD bonds, such information as may be required for the County to satisfy requirements of, or avoid liability under, any applicable federal or State securities laws.

Each owner of a property within the CFD that has not reached its planned development stage, and each subsequent owner therein, that will be responsible for a substantial portion (as determined by the County) of the payment of special taxes will be required to provide such information, on an ongoing basis, as may be required for the underwriter of the CFD bonds to satisfy the requirements imposed on it pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

### **SECTION XIV: SPECIAL ASSESSMENT FINANCING POLICY**

This Policy is intended as a supplement to the Board's existing policy for Special Assessment Financing for Subdivision Improvements. In the event of any material conflict between the terms of this Policy and the Board's existing policy for Special Assessment Financing for Subdivision Improvements, the terms of this Policy shall control.

**RESPONSIBLE DEPARTMENT**

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Treasurer and Tax Collector  
Regional Planning

**DATE ISSUED/SUNSET DATE**

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**Issue Date:**

**Sunset Date: September 1, 2023**

**County of Los Angeles  
Community Facilities (Mello-Roos) Task Force**

**Department Members (in alphabetical order)**

Chief Executive Office

Los Angeles County Development Authority

County Counsel

Fire

Health Services

Library

Parks & Recreation

Public Works

Regional Planning

Sheriff

Treasurer and Tax Collector



**Formation Process**

- Accept Application
- Adopt Local Goals and Policies
- Adopt Resolution of Intention to form CFD
- Conduct Public Hearing
- Consider formation of the CFD
- Conduct CFD Election/Certify Results
- Consider adoption of Special Tax Ordinance

**COMMUNITY FACILITIES (MELLO-ROOS) DISTRICT  
APPRAISAL GUIDELINES**

Pursuant to Government Code Section 53312.7(a)(5), the following definitions, standards, and assumptions will be used in appraisals required by Government Code Section 53345.8 relating to the sale of CFD bonds under the Act.

**Definitions**

For purposes of this section, the following definitions will be utilized:

1. "Bulk Sale Value" means the most probable price, in a sale of all parcels within a tract or development project, to a single purchaser or purchasers, over a reasonable absorption period, discounted to a present value, as of a specified date, in cash or in terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue stress.
2. "Discounted Cash Flow" means the measurement of the cash flows associated with the development and sale of real estate parcels, based on an independent judgment of the prices and times at which individual parcels or properties would be sold, after applying a discount rate to such cash flows to reflect the risk-adjusted rate or return necessary to attract the debt and equity investment necessary to undertake and complete the acquisition, entitlement, development and sale of the parcels or properties.
3. "Lien" means, in the case of public debt imposed on a parcel or parcels, the amount of debt attributable to a parcel or parcels, based on an apportionment of the debt to such parcel or parcels in relation to the probable debt service to be borne by such parcel or parcels.
4. "Value" or "Fair Market Value" means the amount of cash or its equivalent which property would bring if exposed for sale in the open market under conditions in which neither buyer nor seller could take advantage of the exigencies of the other, and both have knowledge of all the uses and purposes to which the property is adapted and for which it is capable of being used, and of the enforceable restrictions upon uses and purposes.
5. "Value-to-Lien Ratio" means a calculation to measure the number of times the value of a property exceeds the sum of the Liens, including any proposed liens.

**Standards and Assumptions**

1. The appraisal shall be approved and signed by a State certified General Real Estate Appraiser who has a minimum of five years' experience and has a designation from an established and recognized appraisal society which tests and certifies its members.
2. If required, the appraisal shall be conducted by improvement area within the CFD as well as by assessor parcel number within the improvement area.

3. The appraisal date of value shall be within a time period considered to be current by the County in order to support a bond sale.
4. The appraisal shall estimate the fair market value assuming the improvements to be acquired by the CFD have been completed with funding from bond proceeds in its "as is" condition.
5. The appraisal shall include the market approach as well as a discounted cash flow analysis which will consider the improvements, additional costs borne by the developer and total period for absorption.
6. The appraisal shall meet all the standards set by the Uniform Standards of Professional Appraisal Practices pertaining to Mello-Roos appraisals.

#### Required Appraisal Format

1. Title page
2. Table of contents
3. Transmittal letter
4. Color photographs
5. Certification of appraiser and permission to reproduce and use report as required for bond issuance
6. Purpose of appraisal - to include the reason for the appraisal, definition of all values required, and property rights appraised
7. Legal description - to include a complete description so that property can be properly identified
8. General data relating to the area and local economy as well as specific data relating to the subject property
9. In-depth analysis of development trends in the subject area, valuation analysis by residual land value with supportive data by the market approach
10. Qualifications of all appraisers and technicians contributing to the report
11. Exhibits
  - a. location map
  - b. comparable sales map
  - c. detail of comparative data (market data sheets)
  - d. matrix of comparative data (spreadsheets)
  - e. construction drawings or portions thereof
  - f. plot plans
  - g. floor plans (if needed to explain value)
  - h. photographs
  - i. title reports
  - j. subdivision layout plans and engineering estimates
  - k. subject property land use map
  - l. other pertinent items