

Homeowner delinquencies rise By Loretta Kalb

Reprinted with the
permission of the
Sacramento Bee

Life. Captured daily.
The Sacramento Bee

Published August 23, 2008

Homes are being offered at foreclosure prices in the Sunridge Anatolia development in Rancho Cordova. A high delinquency rate on special property taxes in Community Facilities District 2003-01 has forced a legal consultant for the city to send notices warning owners to pay or face the foreclosure process.

Millions of dollars in late special property taxes are forcing some cities and districts to threaten delinquent taxpayers with foreclosure.

Special districts and school districts collect such assessments and taxes every year. The funds typically are collected with property taxes and are used to pay bonds that fund public improvements.

But this year the pace of delinquencies is increasing, particularly in California's inland areas, said Tim Seufert, managing director of the San Francisco office of NBS, a firm that does consulting work for special financing districts.

"Compared to two years ago, it's up exponentially. There's no question," he said.

In Sacramento County, \$4.4 million in special taxes are late. Most of that is in southern Sacramento County.

Seufert said the story is similar in other communities such as Stockton and Riverside.

It is not unusual to see delinquency rates between 10 percent and 20 percent outside coastal communities, he said.

Delinquency rates also were high during the last real estate downturn in the mid-1990s, but this time individual homeowners are being hit hard.

"It is what in the past was considered could never happen," said Oakland attorney Susan Feller, who represents issuers of land-secured bonds.



"It was always considered that once property was built and owner-occupied, you would not have delinquencies (in large volume)," she said. "You wouldn't get to these kinds of levels."

The collections add angst for homeowners already worried about mortgage payments.

But not every owner who fails to pay a property tax bill faces quick collection or foreclosure.

That's typically required only in cases where the delinquency rates within community facilities districts are high, exceeding the thresholds set by the terms of each bond.

In Rancho Cordova, most homeowners late on their tax bills don't have to worry – right away. The county typically takes five to six years before requiring a property sale for nonpayment.

Special Taxes and Assessments

- A city or other jurisdiction establishes boundaries for a proposed assessment or community facilities district.
- Property owners within those boundaries vote to assess themselves and form the district.
- Tax-exempt bonds are issued. Investors buy the bonds and proceeds are used to pay for public improvements within the district.
- The county collects the special taxes along with regular property tax payments and turns them over to the district, which uses the money to pay debt service on the bonds.
- The language of the bonds spells out what steps must occur – such as collections and foreclosure lawsuits – if delinquencies reach certain thresholds.
- Residents can refer to their Sacramento County property tax bill to see if they owe special taxes or assessments.

Source: Elk Grove budget manager Troy Brown

But owners of parcels in the Sunridge Anatolia development – who belong to Community Facilities District 2003-01 – are affected.

By the end of June, 357 properties in the Anatolia district were delinquent, to the tune of \$355,000, according to the county tax collector. That level of delinquency, 9.3 percent, required the city to act.

A legal consultant has sent notices warning owners to pay or face the foreclosure process.

This week, a smattering of for-sale signs were posted on the lawns of bank-owned homes in Sunridge Anatolia. One builder had slashed prices, in some cases by more than \$200,000. The offices of model homes touted "foreclosure pricing."

Collection efforts are also under way on behalf of community facilities districts in west Placer County and Natomas.

Most significant, perhaps, are several districts in the city of Elk Grove, where unpaid assessments in three development areas totaled \$3.3 million at midyear.

A large share of the late payments is tied to stalled homebuilding plans, particularly in the 1,900-acre Laguna Ridge development.

In Laguna Ridge Community Facilities District 2005-1, which serves part of the development, delinquencies are \$2.7 million, or more than 46 percent, according to Linda Pittman, assistant tax collector for Sacramento County.

Much of that is tied to entities associated with Reynen & Bardis Communities, said Elk Grove Finance Director Rebecca Craig.

"We have already had conversations with their various lenders," Craig said last month. "Their lenders are interested in paying us the special taxes when they have the opportunity to do so."

Michele McCormick, a spokeswoman for Reynen & Bardis Communities, said the company had no comment.

Reynen & Bardis, a major developer in the region, also has a significant share of delinquencies in districts within the Elk Grove Unified School District and the city of Galt.

On Tuesday night, school board members authorized collection of \$238,000 in special taxes owed by other developers, bypassing for now \$326,000 in Reynen & Bardis delinquencies.

And on Aug. 5, the Galt City Council approved plans for collecting \$194,000 in delinquent special taxes in three districts.

Districts as a rule maintain reserves to see them through tough times.

But Galt city officials say one of its districts could default on its bonds during the next fiscal year if things don't improve.



Besides the Sunridge Anatolia development in Rancho Cordova, pictured, districts in Elk Grove, Galt and Natomas are also taking action.