

Memorandum
Office of Jenine Windeshausen
Treasurer-Tax Collector



To: The Honorable Board of Supervisors
From: Jenine Windeshausen, Treasurer-Tax Collector
Date: September 18, 2007
Subject: Dry Creek Community Facilities District Delinquencies

Action Requested:

Direct staff to remove delinquent Dry Creek-West Placer Community Facilities District (the District) special assessments from the 2006/2007 property tax roll and commence foreclosure proceedings on parcels that have not paid delinquent special assessments by September 30, 2007. See attached list for of delinquent parcels. The property owners have up to the day of foreclosure sale to redeem a delinquent parcel, including special assessments and other fees and costs.

Background:

On December 4, 2001, the County issued \$20 million in community facilities district (Mello-Roos) bonds for the purpose of financing backbone infrastructure in the Morgan Creek subdivision. The infrastructure included roadways, drainage facilities, sewer and reclaimed water system, water main transmission lines, park land, fire protection equipment and costs related to the issuance of the bonds. Repayment of the bonds is dependant upon an annual levy and collection of special taxes on the property tax roll. There are a total of 902 parcels in the District which are subject to the special tax. Depending on lot size, the annual special tax on each parcel is either \$1,850 or \$2,260 which is payable on the property tax bill in two installments.

In approving and executing the bond, the County agreed to certain covenants for the protection of repayment to bondholders. Specifically, the Indenture and the Official Statement require the County "to review annually on or before October 1 of each year the records of the prior Fiscal Year and on the basis of such review the County will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Law against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year..." As such the County must institute foreclosure proceedings by December 1(i) against all parcels that are delinquent in the payment of the Special Tax in that fiscal year by \$1,200 or more and (ii) against all parcels that are delinquent in the payment of the Special Tax in that fiscal year, if the County determines that the total amount collected in that fiscal year is less than 95% of the total amount of the Special Tax levied. Meaning if the County experiences a delinquency rate of 5% or more overall, all delinquent parcels, regardless of amount, must be foreclosed. If the County experiences a delinquency rate of less than 5%, then only parcels delinquent by \$1,200 must be foreclosed. "The County has covenanted to diligently prosecute and pursue all foreclosure proceedings to judgment and sale."

After review of the delinquency rate for the fiscal year 2006/2007, it has been determined as of August 30, 2007, 8.53% of the special taxes for the District are delinquent. Thus, the County will be required to institute foreclosure proceedings no later than December 1, 2007 on all delinquent parcels. If the delinquency rate for fiscal year 2006/2007 decreases to less than 5%, only the parcels delinquent by \$1,200 or more will be included in the foreclosure proceedings.

The Tax Collector's Office originally identified one hundred and three delinquent parcels for the 2006/2007 property tax year. The Tax Collector sent a reminder notice to all property owners on May 7, 2007. The Tax Collector's Office researched public record of these properties in an attempt to locate mailing addresses of existing lenders. In early August, the Tax Collector sent letters, via certified mail, to the property owners and the lenders advising them of the foreclosure requirements in the District. This effort has resulted in payment of the special taxes on twenty two parcels. Of the eighty one remaining parcels, thirteen have homeowner's exemptions and fifty seven are delinquent in an amount greater than \$1,200. The Tax Collector continues to work with the remaining property owners in an attempt to collect the special assessments and avoid foreclosure.

Should actual foreclosure be required on any parcel, the Treasurer, as Trustee, recommends the County hire special counsel to begin the foreclosure process.

As stated at the May 22, 2007 Board of Supervisors meeting, much of the District's parcels were absorbed in a market subject to some level of speculation and substandard lending practices. In addition, none of the mortgage companies required an impound account for payment of property taxes.

Nationwide, the total mortgage market is roughly \$10.4 trillion. Of that, a little over 13% or \$1.35 trillion is sub-prime. Of this, nearly 14 percent or \$189 billion is delinquent, meaning late in payment or in foreclosure. Of this amount, about 5 percent or \$9 billion are in foreclosure, half of these or \$4.5 billion are expected to avoid actual foreclosure sale. It is expected sub-prime loans will continue to affect the real estate market and property tax collection rates for at least the next 12 months.

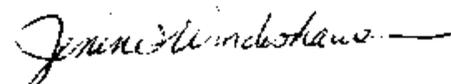
Fiscal Impact:

A debt service payment for the District was paid August 31, 2007 in the amount of \$1,064,493.75. The Reserve Fund balance is \$1,627,000.00. The next debt service payment is payable March 2008, in the amount of \$545,606.25 (after the December 10, 2007 first installment of property taxes). The Reserve Fund balance is enough to make one year of debt service payments (two payments). At this time, the District is not threatened with default due to the current delinquencies; nor is there any impact to County finances from these delinquencies.

Count Action Required:

As Trustee of the Dry Creek-West Placer Community Facilities District, on behalf of the bondholders, I am obligated to remind the County of its covenants with bondholders regarding foreclosure requirements on the delinquent parcels which the County agreed to in the indenture and which are documented in the Official Statement of the bonds.

Most respectfully submitted,



Jenine Windeshausen
Placer County Treasurer-Tax Collector

Attachments: List of the District Delinquencies

Dry Creek-West Placer Community Facilities District
Special Tax Delinquencies
As of September 30, 2007

	<u>Assessor's Parcel Number</u>	<u>Amount Due</u>
1	029-030-055-000	\$ 2,118.25
2	029-040-001-000	\$ 2,118.25
3	029-040-006-000	\$ 1,059.13
4	029-040-008-000	\$ 1,059.13
5	029-040-009-000	\$ 3,343.88
6	029-040-020-000	\$ 1,059.13
7	029-040-040-000	\$ 2,118.25
8	029-040-043-000	\$ 3,343.88
9	029-050-003-000	\$ 1,059.13
10	029-060-002-000	\$ 2,118.25
11	029-080-008-000	\$ 1,059.13
12	029-080-021-000	\$ 1,059.13
13	029-080-029-000	\$ 2,118.25
14	029-080-035-000	\$ 1,059.13
15	029-090-001-000	\$ 2,587.70
16	029-090-006-000	\$ 2,587.70
17	029-100-002-000	\$ 1,871.02
18	029-120-007-000	\$ 2,587.70
19	029-130-007-000	\$ 2,118.25
20	029-130-010-000	\$ 2,118.25
21	029-130-013-000	\$ 2,118.25
22	029-130-017-000	\$ 824.40
23	029-130-029-000	\$ 1,059.13
24	029-130-030-000	\$ 1,059.13
25	029-130-035-000	\$ 2,118.25
26	029-140-010-000	\$ 1,059.13
27	029-140-011-000	\$ 3,237.91
28	029-140-012-000	\$ 2,118.25
29	029-140-014-000	\$ 1,059.13
30	029-140-017-000	\$ 1,059.13
31	029-140-022-000	\$ 2,118.25
32	029-140-025-000	\$ 2,118.25
33	029-150-004-000	\$ 824.40
34	029-150-006-000	\$ 2,118.25
35	029-150-012-000	\$ 1,059.13
36	029-150-016-000	\$ 2,118.25
37	029-160-017-000	\$ 2,118.25
38	029-170-004-000	\$ 1,871.02
39	029-170-024-000	\$ 1,293.85

Dry Creek-West Placer Community Facilities District
Special Tax Delinquencies
As of September 30, 2007

	<u>Assessor's Parcel Number</u>	<u>Amount Due</u>
40	029-170-025-000	\$ 1,293.85
41	029-170-026-000	\$ 2,587.70
42	029-190-002-000	\$ 1,293.85
43	029-190-003-000	\$ 2,587.70
44	029-200-008-000	\$ 2,587.70
45	029-220-014-000	\$ 3,237.91
46	029-220-023-000	\$ 1,293.85
47	029-230-003-000	\$ 2,587.70
48	029-230-012-000	\$ 1,293.85
49	029-230-019-000	\$ 1,293.85
50	029-230-024-000	\$ 2,587.70
51	029-240-017-000	\$ 1,871.02
52	029-250-001-000	\$ 1,871.02
53	029-250-012-000	\$ 935.51
54	029-270-015-000	\$ 1,871.02
55	029-280-002-000	\$ 3,955.51
56	029-280-003-000	\$ 1,293.85
57	029-280-011-000	\$ 2,587.70
58	029-280-015-000	\$ 2,587.70
59	029-280-016-000	\$ 2,587.70
60	029-290-002-000	\$ 2,587.70
61	029-290-011-000	\$ 2,587.70
62	029-290-012-000	\$ 2,587.70
63	029-290-013-000	\$ 1,293.85
64	029-290-015-000	\$ 2,587.70
65	029-300-007-000	\$ 2,587.70
66	029-320-006-000	\$ 1,059.13
67	029-320-008-000	\$ 2,118.25
68	029-320-009-000	\$ 2,118.25
69	029-330-001-000	\$ 2,587.70
70	029-330-002-000	\$ 2,587.70
71	029-330-004-000	\$ 2,587.70
72	029-330-021-000	\$ 2,118.25
73	029-340-004-000	\$ 1,293.85
74	029-340-015-000	\$ 765.80
75	029-340-027-000	\$ 1,059.13
76	029-340-029-000	\$ 2,118.25
77	029-350-003-000	\$ 1,059.13
78	029-350-004-000	\$ 2,118.25

Dry Creek-West Placer Community Facilities District
Special Tax Delinquencies
As of September 30, 2007

	<u>Assessor's Parcel Number</u>	<u>Amount Due</u>
79	029-350-013-000	\$ 1,059.13
80	029-350-023-000	\$ 1,059.13
81	029-360-001-000	\$ 1,059.13

