8 Financing

This Chapter describes the financing mechanisms available for the ongoing maintenance of public and private improvements required for the DRSP. Upon preparation of a DRSP master maintenance plan, it is anticipated that one or more financing mechanisms will be used to provide for the ongoing maintenance of private and public improvements. California law provides for the establishment of a variety of financing mechanisms for maintaining public facilities, including, but not limited to, Landscape Maintenance Districts ("LMD"), County Service Areas ("CSA"), Community Facilities Districts ("CFD" and together with the LMD and CSA, "Public Financing District"). Privately owned common facilities are typically maintained by a Homeowners Association ("HOA"). Public Financing Districts are established by a public agency, while an HOA is established by a private entity in compliance with standards established by the California Bureau of Real Estate. It is anticipated the maintenance of DRSP improvements (e.g., landscaping, park, drainage, trails, open space, street lights, etc.) will be maintained and funded by a combination of a Public Financing District and/or one or more HOAs. The sewer and water improvements are anticipated to be owned, operated, and maintained by the Nipomo Community Services District, provided annexation occurs.

8.1 Financing Principles and Policies

It is the objective of the DRSP to have a neutral fiscal impact on the County and other public agencies maintaining project facilities. The financing mechanisms to be established for the DRSP shall consider the following:

- Parties benefiting from the improvements;
- Security for the funding of the ongoing maintenance;
- Establishment of sufficient reserve funds for repairs and replacements;
- Flexibility for changes in annual maintenance costs;
- Interest of future residents paying annual assessments;
- Equity among contributing property owners; and
- Transparency regarding the costs of maintenance services and improvements being funded.

8.2 Public Financing Districts

The establishment of a Public Financing District generally requires:

(i) A landowner to submit a petition requesting a public agency to establish a specific Public Financing District,

(ii) Identifying the facilities to be maintained and corresponding estimated maintenance costs,

(iii) The public agency establishing the proposed annual assessments or special taxes to fund the maintenance of the requested improvements pursuant to an engineer's report or similar document, and

(iv) The landowner voting in favor of the formation of the Public Financing District and the levy of such assessments or special taxes.

Upon a successful landowner vote, the public agency then has authority to levy the assessments on the property as authorized to fund annual maintenance costs. Although different types of Public Financing Districts can maintain many of the same improvements, the legislative provisions for establishing each type and the related requirements of each are different. For example, the assessments levied on each parcel of property for improvements maintained with an LMD need to be based on the special benefit received by such parcels of property, while a CFD special tax is based on a general benefit requirement. Many public agencies have determined the “general benefit” requirements of the CFD make it a more favorable financing mechanism and less likely to be challenged or repealed under the provisions of Proposition 218.

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