

Freeze fees, group to ask

Builders say cutting any cost would help

By Scott Mobley

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Construction industry advocates will lobby the Redding City Council for a five-year fee freeze meant to revive the building trades — or at least stop the bleeding.

The council on Tuesday will consider a proposal from Mary Machado and Jerry Wagar to cap fees and perhaps eventually reduce them until the construction industry recovers from its historic slump.

Machado directs Shasta Voices, a private nonprofit representing some 850 businesses and individuals. Wagar is president of Ochoa & Shehan Builders Inc., one of Redding's largest construction firms.

Kent Dagg, Shasta Builders Exchange CEO, will also lobby the council for a building and impact fee freeze and eventual fee reduction.

Four out of every 10 jobs lost in the Redding area since the recession began in 2007 have been in construction, Machado said in her report to the council.

Yet building and development impact fees indexed to construction cost inflation have kept rising, even though median home prices are falling, she said. This year's fee hike — effective in January — was 4.2 percent.

"New homes now must be priced at 2002 or 2003 levels to be competitive with the foreclosure-driven prices in the existing home market," Machado said in a letter to Mayor Missy McArthur. "But, given today's cost levels, builders will lose money on every home they create."

Builders in Redding pulled 720 permits in 2005, as building peaked. Builders pulled 94 permits in 2009 and 74 in 2010. So far this year, builders have sought only six permits, according to city statistics.

Wagar doesn't think freezing fees will necessarily spark a building rebound. Builders simply cannot afford higher costs, he said.

"We can't absorb any more unreasonable costs, because we are not making any money — builders are not making money right now," Wagar said.

Fred Quigley, Shasta Association of Realtors president, said the fee freeze could at least stimulate builders to begin planning for construction again.

"The city would have more interest in having a viable construction industry and still get some fees as opposed to having no construction today," said Quigley. "There has to be somebody to give a push on it. I think the city doing it would be the right way."

Fees for a new, three-bedroom, two-bathroom 1,800-square foot home are \$34,688. These include school fees, over which the city has no control, along with building and inspection fees, which are state-required.

Machado, Quigley and Wagar have all said fees are too high. Wagar said the building industry isn't asking the city to cut fees at this point. But Machado plans to lay out an argument for such cuts in her presentation Tuesday.

Fees are based on projected growth that hasn't occurred, Machado said in her report. Only 21 percent of the new homes forecast for construction between 2007 and 2010 were built, she said.

Jim Hamilton, Redding's development services director, agrees rising fees have hit builders in the pocketbook.

Since 2008, Hamilton has recommended cuts to building permit processing fee, deferring impact fee collection for new homes, postponing inflation-driven annual fee hikes and allowing builders to stretch their utility connection fee payments over three years — all in an effort to stimulate construction.

Hamilton said Friday he doesn't oppose freezing fees, at the very least.

"It might very well be the right thing for the community to do," Hamilton said.

But Hamilton disagrees with Machado's analysis justifying lower fees. Impact fees are not calculated on the number of new homes over time but the expected cost of the roads, sidewalks, storm drains, sewer lines and water mains the city will need to keep the service levels the same, he said. Inflation generally pushes the cost of those public works higher each year.

"We could reduce traffic impact fees (which pay for street widening) and accept more congestion because we value construction jobs more," Hamilton said. "That's the kind of discussion we'd need to have."

Impact fees were meant to spread expensive infrastructure costs among many developers so the sewers and streets get built as they are needed, Hamilton said. A developer faced with extending a sewer line alone may find the cost too high, he said.

The city could — and should — explore ways to use developer fee credits and other tools to help stimulate construction, Hamilton said.

Reporter David Benda contributed to this report.

