

Mary Machado: Fee freeze would spur building and jobs

Mary Machado

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At Tuesday's Redding City Council meeting, Jerry Wagar, president of Ochoa and Shehan Builders, and I will present a proposal to eliminate the annual inflationary increases being applied to building and development impact fees. Why? Let me explain.

Our local economy is in trouble. The downturn in the residential construction industry is directly or indirectly responsible for the loss of the greatest number of jobs in Shasta County. The situation will persist until the industry goes back to work. If the current economic crisis has taught us any lessons, it is that the residential construction industry's health is vital to residents and local governments of Shasta County from a wide variety of standpoints (employment, taxable sales, affordable housing). An average of three jobs and \$90,000 in taxes are created for each home built, according to the National Association of Home Builders.

The local dilemma is the fact that new homes now must be priced at 2002 levels (or earlier) to be competitive with the foreclosure-driven prices in the existing home market. There is a huge disparity between existing home prices and new home prices. But, given today's cost levels, builders will lose money on every home they create even on previously purchased lots that are now treated as having zero value. There is no motivation for new development. Jobs keep declining.

That is why Shasta Voices believes that we need to make an attempt to do something now so that when market conditions improve, motivation will again exist for new construction. In the short term, fees are the only cost that local officials can control. If they are not reduced, or at least frozen at current levels, the resumption of new home construction and employment will have to wait until the current crisis in housing ends and prices return to higher levels. That could take many, many years.

The current fee program, adopted in August 2000, was based on a Comprehensive Impact Fee Study dated May 19, 2000. It includes the following language: "Effective January 15th, and each January 15th thereafter, the fee shall be increased by the CCI as published is the most recent November Engineering News Record." The referenced CCI is the Construction Cost Index. This is the language and "policy" we are proposing to change by eliminating this increase, including the 4.2 percent increase imposed January 15, at least for the next 5 years or so. Additionally, Shasta Voices will propose re-evaluating how the traffic, water and sewer connection fees are applied, particularly for commercial projects.

The original fee schedule was calculated from growth projections. It was amended in 2004, and added the North Redding Traffic Benefit District in 2007. These studies

projected new development from growth in years 2007-2025 to be 22,583 dwelling equivalent units. Existing fees for a single-family dwelling of 1,500 square feet (including school fees) total \$33,538 based on those projections (more for larger units).

The projections assumed 50 percent growth by 2015, which would amount to 11,292 units. That would be 1,412 units each year, or a total of 5,648 total units developed through 2010 in order for the fee calculations to be accurate. What actually occurred? The total of units developed from 2007-2010 was 1,189. That's only 21 percent of the 5,648 unit projections.

So, what does this mean? It means that there may not be the same justification for existing building and impact fees for new construction because they were based on grossly over-estimated projections. Who knew that this unprecedented economic downturn would occur when the fees were put in place? Well, it did occur, and now we need to re-evaluate our current policies to prevent an even worse situation from developing, as the disparity between existing home prices and new home prices continues to grow.

If the city were to complete an update of the Comprehensive Impact Fee Study, all growth projections would be reduced to more realistic numbers. With those reductions may come reduced infrastructure needs, thus reduced fees. A study of this magnitude would take a long time, and lot of money. The city doesn't have an excess of either. Time is not on their side, and there is no funding available to pay for such a study.

Therefore, eliminating annual increases to the existing fee program until growth actually returns should be a reasonable option for the city to take at this time, while at the same time re-evaluating how some of the fees are applied. Given the opportunity, Shasta Voices will propose the same for the Shasta County.

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