

Santa Maria latest city to cut fees 

Written by California Building Industry Association

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The city of Santa Maria this week became the latest California jurisdiction to reduce development impact fees it charges homebuilders, which the California Building Industry Association said is a growing trend that is paying off.

The City Council voted unanimously Tuesday to lower its development impact fees by about 7 percent, which would reduce the cost to build a single-family home in the city, located in northern Santa Barbara County, by about \$2,250. The reductions will be in effect for the next two years.

The council also gave builders an additional five years to begin construction on previously approved projects. Mick Pattinson, a San Diego County-based homebuilder and Chair of CBIA's Impact Fee Task Force, said the reduction was welcome and should be followed by other jurisdictions around the state.

"During the housing boom, many jurisdictions sharply raised the fees they charge new-home builders – and thus new-home buyers – by tens of thousands of dollars per home," Pattinson said. "The average total impact fee today for each new home is about \$50,000 statewide, and there are many jurisdictions where the fees total more than \$100,000 – nearly as much as it costs to actually build many homes. With home prices today half of what they were three or four years ago and builders struggling to compete against repossessed homes being sold well below the cost it took to build them in the first place, it's welcome news to hear that Santa Maria officials recognize market realities. Reducing these fees help make projects financially feasible, and in many cases should lead to increased homebuilding activity."

Housing production plummeted from nearly 213,000 homes and apartments in 2004 to just 65,000 in 2008, and is projected to fall to less than 45,000 units this year. That has cost the state an estimated 363,000 jobs, \$46 billion in economic output, \$2.2 billion in tax revenues to the state and \$426 million in revenues to local government.

Other jurisdictions around the state that have reduced fees in recent months include Fremont and Dublin in Alameda County; Oakley in Contra Costa County; Orange County and the cities of Irvine and Santa Ana; Beaumont, Corona and Menifee in Riverside County; San Diego County; the Scotts Valley Unified School District in Santa Cruz County; Thousand Oaks in Ventura County; and Woodland in Yolo County. A number of other communities are currently actively considering joining the list.

In addition, more than 50 jurisdictions statewide have deferred their fees from the time the building permit is pulled until the home is sold, which reduces the up-front costs to builders and helps make more projects pencil out financially.

Pattinson noted that fee reductions or deferrals have sparked increased construction in many communities as the reduced costs made homebuilding projects financially feasible. For example, after Chula Vista in San Diego County deferred its fees in March, builders quickly obtained more than 80 building permits. During the first two months of the year, only two permits had been pulled in the city. Builders in Orange County also ramped up production in Orange County following fee cuts there.

"I believe that when the housing recovery comes it will be the cities with the lowest fees that will benefit first," Pattinson said. "Builders (and financiers) are closely watching the fee burdens and those jurisdictions that substantially lower fees will get the early recovery in new-home construction."

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