



Friday, Sep 28, 2007

Posted on Mon, Sep. 24, 2007

Builders may soon pay a lot more in Morro Bay

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Morro Bay is considering a steep increase in development fees in hopes of pumping at least \$2 million more into city coffers annually.

The city levies these one-time fees on commercial, industrial and residential developments.

Paid by developers, revenue from these fees goes toward financing government facilities and infrastructure.

If approved at tonight's City Council meeting, the new fee schedule could go into effect by Nov. 26.

The proposed increase is the latest move by city leaders to replenish its dwindling financial resources.

Last year, voters approved a half-cent sales tax increase that is expected to contribute about \$650,000 annually toward city services.

Under the higher fees, developers would pay to support city services such as fire, police, public works infrastructure and general park maintenance.

For example, builders of a single-family, 2,000-square-foot home currently pay \$2,621 in water and sewer connection fees — the only two the city now levies. City officials said the new rate structure would be based on the size of the proposed development — about \$12.81 per square foot.

So if the council approves an increase, developers would pay \$25,620 in fees for a 2,000- square-foot residence — an 978 percent increase.

That's because the new plan calls for the city to levy fees for roads, libraries and other services whose demand would increase with new development — in addition to the current water and sewer-impact fees. Cities and counties throughout California commonly levy fees for those and other government services that can be affected by growth.

The increase would put Morro Bay's fees ahead of Pismo Beach, Arroyo Grande and Grover Beach's development-impact fees.

Some local developers and real estate agents say they are worried that higher fees would result in higher home prices and could force developers to take out bigger loans for new projects.

"They need to analyze it more," said Dan Reddell, owner of Bayshore Realty in Morro Bay, which sells vacant lots in the city and owns undeveloped property. "This isn't going to solve their financial problems." Reddell also believes that the higher fees would discourage owners of vacant lots from developing.

"We're going to question the data the consultants came up with," Reddell said, referring to a report by Temecula-based consultant MuniFinancial that was commissioned by the city.

Councilwoman Betty Winholtz said the council requested that study last year to detail how the city could benefit from a development fee increase.

The study found that Morro Bay taxpayers have essentially been subsidizing new development in the city because of low impact fees, according to Morro Bay Public Services Director Bruce Ambo.

"It's a significant increase," Ambo said. "But the money has to mitigate the impacts of new development."

Winholtz, who supports the increase, said it would not affect subsidized housing because the city hasn't met its state quota anyway.

Instead, she said, the money gleaned from higher fees could be used to upgrade the city's aging wastewater-treatment plant and to maintain parks and infrastructure.

Ambo said the higher fees would apply only to developments larger than

400 square feet. Projects that don't have a building permit by Nov. 26 would be charged the new, higher fees, he said. But Ambo said a 60-day window would give developers plenty of time to get permits under the current rates. He added that the process takes about one to two months, depending on the development.

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