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Developer fee fight resurfaces during economic downturn

BY GRETCHEN WENNER, Californian staff writer

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Call it the controversy that won't die.

Homebuilders are once again asking the city of Bakersfield to reduce traffic impact fees while the market is tough.

City staffers strongly oppose the idea, but a City Council committee will nevertheless consider it on Thursday.

"I want staff to take a hard, hard look at this thing," said Councilmember Harold Hanson, who recently asked for a report on possible reductions.

Many jurisdictions around California are lowering development fees to help spur construction activity.

But Bakersfield has a burning reason not to, city staffers have pointed out: \$630 million of federal transportation money secured for the metro area by former Rep. Bill Thomas, R-Bakersfield, before he retired. Those dollars require local matching funds, and residents here have rebuffed ballot box attempts to establish a half-cent sales tax for transportation projects, making the fees a key revenue source.

Matt Towery, a local homebuilder and president of the Home Builders Association of Kern County, said builders will throw out a few proposals at Thursday's meeting.

For one, they'll ask the city to temporarily cut all development fees by half. Towery says he now pays \$28,000 for local traffic, sewer and school fees -- for each 1,300-square-foot, entry level house that sells for \$159,000. Costs from new state building code requirements add thousands more per home.

Another homebuilder idea is to roll back fees at existing tracts where roads and utilities have already been installed.

Those lots "were bid out and counted at the lower fee anyway," Towery said.

The Bakersfield City Council voted in July 2009 -- long after the housing construction boom peaked in 2005 -- to substantially increase the traffic impact fee, hiking it to about \$13,000 per home from the \$7,000-\$9,500 it had been before.

The vote came after nearly two years of haggling over many of the same issues slated for Thursday's meeting (the council had previously passed the same fee schedule, making costs consistent in the metro area.)



Alan Tandy, Bakersfield's city manager, is urging councilmembers to nix the idea of a fee reduction.

The \$5 million in traffic impact fees collected so far this fiscal year, which started in July, is bringing in more than \$84 million of federal money, he said.

"Any fee waivers cost far more than the direct dollars involved," Tandy wrote in his report.

The city collected \$9.3 million in traffic impact fees in the last fiscal year and projects taking in \$6.5 million this fiscal year.

The report points out considerations discussed at many previous meetings: modifying the transportation fee could invalidate the transportation plan -- the so-called nexus documents -- that serves as the fee's legal foundation.

The city will need to bond an estimated \$110 million to help with the upcoming \$650 million Centennial Corridor project, which will connect Highway 58 and the Westside Parkway. Bakersfield's bonding capacity will be determined by the fees collected during the previous five-year period, the report says, so fee waivers or deferrals would take a chunk out of bonding capacity.

The metro area's regional transportation plan, a document covering roughly three decades of growth projected through 2035, calls for the city and county to collect some \$1.9 billion in traffic impact fees from developers. The money will help pay for the network of roads needed to serve the area's new residents.

The Home Builders Association sued the city and county over the higher traffic impact fees in 2009, but the case was dismissed last year and the fees left intact.

Towery said one of the things he warned the city about has come true: higher fee costs have stunted sales, which has meant less fee revenue.

In his northeast Mountain Gate tract near City in the Hills, Towery said, he sold 30 homes in the year before fees went up, sending the city about \$216,000 in traffic impact fees. After the fee hike -- and a \$10,000 home price increase -- he sold four homes, sending the city \$51,000 in traffic impact fees.

Tandy's report disputes the notion that lower fees spur activities, saying old fee levels still stand in the downtown area and haven't resulted in more growth there.

"They seem to lose sight of the fact that there is a national, state and local crisis in the financial markets, with foreclosures and a lack of lending, etc.," Tandy said in an e-mail.

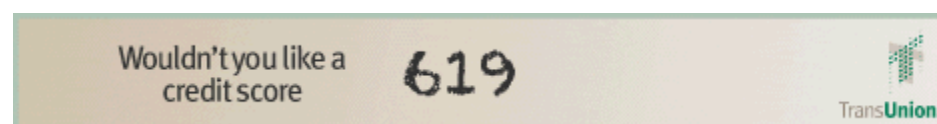
After Thursday's meeting of the three-member planning and development committee -- which Hanson chairs -- the issue could be sent to the full seven-member City Council.

One thing has changed since 2009: the makeup of the council. Whether the two new faces -- Russell Johnson and Rudy Salas Jr. replaced Zack Scrivner and Irma Carson -- will mean a different result on the fee issue remains to be seen.

"We've gone against staff recommendations in the past," Hanson said.

UPDATE: *Thursday's meeting has been canceled.*

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studebiker 2 days ago

With all due respects to Matt Towery and the Home Builders Association formerly known as the Building Industry Association the fees he decries are based on actual cost recovery needed to pay for the road infrastructure needed to support the development the HBA is advocating. My message to Councilperson Harold Hanson is; put your ideology aside and make your decision based on good judgment and good governance. Staff has this one right. Years of collecting fees below the costs of maintaining roads have resulted in a large inventory of crumbling roads the city can't afford to maintain.

City Manager Tandy and staff are approaching this matter strictly from a matter of sound governance, not out of some desire to stifle development. With an overwhelming inventory of unsold housing stock, lowering traffic impact fees would have the effect of subsidizing new housing construction passing traffic support expenses to the taxpayers at large, something that should concern chairman Hanson. That lower fees would cost us in matching funds and further jeopardize the city's ability to maintain its streets should also be a cautionary flag.

Towery points out a spike of sales before the implementation of higher fees. That's no surprise. Had those fees not been set to go up, the sales pattern would have remained stable. Like the spike in building permit applications this past December, a spike that happens every 3 years as the state adopts revised and improved building codes, the promise of a price increase in just about anything will spur prior sales.

The problem noted by City Manager Tandy but apparently missed by officials of the Home builders Association and planning and development committee chairman Hanson is the continued bad behavior of banks that despite the bailouts are more interested in coming up with ways to overcompensate their executives rather than process and grant loans to well qualified buyers.

 [USELOGIC and 8 more liked this](#) Like



USELOGIC 2 days ago

Matt Towery, President

Matt Towery Homes

HBA of Kern County

Dear Mr. Towery,

You have got to be kidding!


Do you truly think the public is gullible enough to believe that your company has a back-log of homes because of Traffic Impact Fee increases? I guess we aren't supposed to have noticed the "recession" that has lasted for 4 years now, and been the worst in national history? Or, the fact that the real estate market also completely collapsed? What about the financial markets...Were you following those at all? Guess not.


My suggestion to you would be to hire someone with a tad of business acumen to run your firm, as you appear to have been under a rock for the last few years. However, I can assure that we, the public, have not.

Pay up.

Sincerely,

John Q. Public

 [hankmeister and 5 more liked this](#) Like

 **JSC** 21 hours ago [in reply to USELOGIC](#)

What a stupid remark. Speaking of climbing back under a rock.....


For each dollar a home price increases for any reason, X amount of potential buyers are disqualified due to their income.

Like

 **USELOGIC** 14 hours ago [in reply to JSC](#)

Really? Stupid eh? I'll have you know that I'm just absolutely, positively crushed!

As to all those home buyers we might be losing; I believe you're assuming that there ARE potential home buyers. I would recommend that you start following our local real estate trends a bit closer. It's an enlightening, but depressing experience. Makes you want to just crawl right under a rock!

 JSC liked this Like


 **JSC** 12 hours ago [in reply to USELOGIC](#)

Dang, why didn't I think of that.....start following re trends you say?


Not even worthy of a reply.

Don't know what you get a paycheck for doing, but I hope it's not interacting with the public, or someone's (probably the taxpayer) got a hole in their payroll. I guess that's why some need union protection to stay employed. Ms. Personality, for sure, LOL.

1 person liked this. Like

 **airqualityguy** 1 day ago

If anything, the fees should be increased. The general public is already paying an extra \$30 million per year in vehicle registration fees imposed by the air district. The free ride for increasing traffic in this valley is over.

 [KennethCPA and 3 more liked this](#) Like

 **BanditIvy** 1 day ago

These builders are like little children. It's time for them to grow up and accept responsibility. If any builder can't adjust, then maybe they should apply for a casier job at Rite Aide.

1 person liked this. Like

**bakofog** 1 day ago

Bakersfield City Council, hang tough and be good stewards for the generations that will follow. Your decisions on this will be your legacy!

4 people liked this.

[Like](#)**politicsanyone** 1 day ago

UPDATE: For those interested in attending Thursday's meeting, it has been canceled.

Apparently Hanson (the committee chair) requested the move so he has more time to digest the information.

- Gretchen Wenner, staff writer

[Like](#)**toupeiro** 1 day ago

I have to echo the statements made by Studebaker and Uselogic. The fact is, the governor appropriated GRAND percentages of county revenues to the state during his tenure, and what moneys that are collected that are appropriated to our own city and county infrastructure must remain intact. We cannot afford to maintain our roads due to many years of a) lack of funds but also b) misappropriation of what funds there were. The builders market stagnated due to economic response on a national level, not because of these fee's...



hankmeister liked this

[Like](#)**JSC** 22 hours ago

News flash for all you builder-haters. They ultimately pass on these taxes disguised as fees to the homebuyer. Then, the govt includes these "fees" into their valuation of the homes for taxation purposes, resulting in the homebuyers paying ever-increasing property taxes on top of the original tax forevermore.

For those of you who think this is punishing the builder and that the "fees" should be even higher, maybe you would like it if the tax assessor sent you an extra bill on your existing older home for, say, \$28,000. and then increased your property valuation by the same amount from now on. After all, residents of older homes are impacting the roads, smog, etc. just as much as the newer homes and haven't paid their "fair share".

Lastly, it sounds like many do not know that when a developer builds a subdivision that he pays for all the roads, utilities, streetlights, etc. himself, and then necessarily passes it on to the home buyer, so the impact has already been mitigated. After that, the property taxes and other taxes and business generated by local consumption (sales tax and fuel tax for instance) should more than take care of future maintenance, except that the money is always stolen or squandered elsewhere.

Heck, just a 1% property tax on a traffic impact fee (tax) of \$28,000. (for a small home) raises your property tax bill \$280.00 a year. Not to mention how much the \$28,000. really costs including interest, when typically financed over 30 years.

[Like](#)**USELOGIC** 14 hours ago [in reply to JSC](#)

It has nothing to do with being a "builder hater", and everything to do with expecting them to pay the costs associated with the business they are in . And before you start spouting your vast knowledge of the building industry, you might want to get the definitions straight between a Home Builder and a Developer.... they are not the same. And, a Developer does not sell to a home buyer.

A Developer readies the land for permanent construction, by sub-dividing lots, putting in curbs and gutters, running sewer, etc. A Homebuilder then buys said sub-divided improved lots from the Developer on which to build the new home. And, at each step of the way, there are costs incurred, and profit(loss) to be earned. Whether or not you are in the profit category, or the loss category is determined by how well you balance such things as inventory.....

If a builder still continues to build in a market where people have long since stopped buying, the fees are not the issue. The issue is inventory management within that firm. To think that changing fees will spark growth is not logical. Nor, is it fair to other industries to favor construction in this manner.

What about car sales? They have died completely. Should we now waive the sales tax on new car purchases in hopes to re-start that industry?

Gasoline is going through the roof, therefore people will cut back on driving, and petroleum related industries may be hurting? Should we temporarily suspend all gas taxes?

Where does it end? Who gets special treatment and who doesn't? Or, is part of running a successful business still paying ALL costs associated with that business? And, not whining to your Councilman when times are tough, and you can't cut it. "Newsflash" they're tough all over. As my teenagers say, "Suck it up!"

[Like](#)

JSC 13 hours ago [in reply to USELOGIC](#)

Thanks for the laugh, oh ye who knows nothing of which ye speak.

Not to cast pearls before swine, but for the benefit of others you may be erroneously influencing I'll explain that: 1) 40 years in the construction and real estate business probably gives me more knowledge of the subject than you will ever grasp in your little bubble of a world, 2) FYI Miss Knowitall, many developers are ALSO builders, and vice versa. I could name at least ten of them locally. And it is immaterial to the argument anyway, since regardless of WHOEVER and HOW MANY businesses in the chain pays the fee, it is nevertheless buried in the final cost of the home when built. And 3) If you don't think that more people qualify for and buy houses if they were \$28K or more cheaper, even in this market, then you are woefully unqualified to be giving lessons in economics and too dense to see why the re market was stimulated even by the \$10K credits offered by the federal govt that have now expired.

Do everyone a favor and save your advice for something that you actually know something about, whatever that is.

1 person liked this.

[Like](#)

USELOGIC 8 minutes ago [in reply to JSC](#)

Ah, JSC my friend, you are a true delight! :->) You have no idea how much joy debating with you brings to my "little bubble of a world".

Congratulations on your extended years of service to the building industry. I'm sure it was appreciated.

Have a wonderful day!

USELOGIC

P.S. You are correct. There are companies that are BOTH Developers and Builders. I would not have disputed that. What I was correcting was the misuse of the terms. They cannot be interchanged and so often are.

[Like](#)