

ARCHIVES

ARCHIVES

 Email a friend  Printer friendly

Construction slowdown dams flow of impact fees

By Mike Hodgson/Associate Editor



Buy this photo now



Visitors try out new stairs to the beach at the end of Beachcomber Drive in Pismo Beach following a ribbon-cutting ceremony. The stairs were among projects funded, at least in part, by development impact fees. / April Charlton/Staff

The slowdown in construction on the Central Coast also is restricting the flow of developer impact fees into county, city and school and special district coffers.

Most local jurisdictions say they aren't seeing any major impacts on their projects yet, and the reasons for that are many. But most agencies are looking at tightening their belts in the future or using alternative funding sources.

"I'm not aware of any projects being put on hold for lack of city funds," said George Edes, administrative services/finance director for Pismo Beach. "We've been particularly conservative in budgeting, so we're not sensing much of a reduction in revenue for general funds or other funds."

Impact fees are paid by developers to offset the increased demand for services — ranging from roads, sewers and water systems to school buildings and parks — that will be created by their developments.

The fees are designed to prevent current residents from subsidizing an expanded infrastructure to serve residents who don't even live here yet or new demands — such as on roads — from commercial projects that bring in customers from other areas.

Developer fees in Pismo Beach rose from \$560,000 in 2001 to a peak of \$1.34 million in 2003, then fell to \$273,000 in 2008, a 26 percent drop from 2007.

Edes said impact fees in the first three months of 2009 are very close to 25 percent of last year's total. If the rate holds steady, that would put the city on track to hit \$273,000 again this year.

"That can change according to the quarter and such, but we don't see any signs of change," he added. "But we're watching it closely."

Advertisement

The reduction in fees may slow down some projects,

SEARCH ARTICLE ARCHIVES

Advanced Search



BUY PHOTOS>>

MARKETPLACE

- ▶ All Classifieds
- ▶ Find a Home
- ▶ Find a Car
- ▶ Find a Job
- ▶ Work Here
- ▶ Find Merchandise
- ▶ Place an ad
in print and online, 24/7

VIRTUAL TOURS

918 E. Hermosa



\$559,999

2370 Quail Canyon



\$1,699,000

Lavigna

Edes said, but probably none will be placed on hold.

"One of the reasons I say that is the voters in June approved a half-cent sales tax that went into effect the first of October," he said.

About \$500,000 is projected to be raised by the half-cent sales tax increase for the six months of the current year that the increase was in effect.

"In a normal year, we expect a little over \$1 million a year, and that's planned for capital projects for the city, like streets and sidewalks," Edes said.

Pismo also doesn't launch projects until the funding is there to pay for them, and the city doesn't rely heavily on impact fees.

"We don't budget that much for improvement fees each year to avoid a big disappointment in revenues," Edes said.

q q q

Arroyo Grande, on the other hand, saw a major drop in developer fees from 2006-07 to 2007-08, said City Manager Steve Adams.

"Developer fee revenues, 2006-07, totaled almost \$1 million exactly," he said. "In 2007-08 fiscal year, they dropped by 51 percent to a little over \$487,000, a decrease of about \$513,000."

But like Pismo Beach, officials in Arroyo Grande don't allocate developer funds until they're actually in the bank.

"As far as impact on the city, in our current budget, we only budgeted facility funds that were available and accumulated in those funds for projects this year," Adams said. "We don't believe the decrease will impact projects in the current budget."

But Arroyo Grande officials are looking nervously toward the future, because the city's capital improvement project budget covers a five-year period. Currently, the city is reviewing projects included in that budget.

"There's likely to be projects — particularly water and sewer projects, because those funds are pretty tight — we have to re-evaluate because projected revenue is not coming in as estimated because there is very little building activity," Adams said.

"We're probably going to have to redo the funding, and that could result in either delaying some projects or have an impact on water and sewer fees because we would have to fund more of our projects from water and sewer fees rather than impact funds."

q q q

Some agencies haven't seen a drop in impact fee revenues yet, but they expect a reduction to show up within three years because it takes that long for projects to move through the approval process.

Nipomo Community Services District is one of those agencies.



\$From mid \$300's

[More Virtual Tours](#)

**FEATURED ADS
FEATURED HOMES**

[More Homes](#)

FEATURED RENTALS

**2Beds ,1Baths
\$1,200/Mo.**

**2Beds ,1Baths
\$1,200/Mo.**

**Lompoc
3Beds ,2.5Baths
\$1,650/Mo.**

**Lompoc
2Beds ,1.5Baths
\$1,100/Mo.**

**3Beds ,2Baths
\$2,400/Mo.**

[More Rentals](#)

FEATURED JOBS

**RETAIL SALES ASSISTANT
MANAGER**

DISHWASHER/PREP COOK

EDUCATION OFFICE

[More Jobs](#)

Advertisement

"We collected \$1.4 million in 2007-08," said Bruce Buel, NCSD general manager. "That's about what we would expect to collect in future years. But we're at the tail-end of development applications from several years ago."

Buel said that as a result of the construction slowdown, the district is seeing about one-tenth the development activity expected at this time of this fiscal year.

"We will have a dry period ahead of us as the slump moves through the years. It's usually a three-year process," he explained, adding the district still must move forward. "We're proceeding with planning."

The problem for the district — and, ultimately, its customers — is who will end up paying for projects that would normally be covered by the developer fees.

"It's a balance of paying for the projects," Buel said. "The users will end up bearing the price" if the impact fees aren't there.

q q q

San Luis Obispo County brought in well over \$1.5 million in impact fees from the South County area, which is broken down into two sections: Area 1 is roughly everything south of Black Lake Canyon; Area 2 is roughly everything north of the canyon.

Although a recent survey commissioned by the Home Builders Association of the Central Coast did not break down funds paid to the county by areas, fees are no longer pouring into San Luis Obispo County coffers, said Dale Ramey, a county traffic engineer and project manager.

"The permits being issued have really dropped off, and it does really affect projects," Ramey said. "We can continue along with development costs for environmental and design services, but the construction is where we really have impacts because it's such a large chunk of the costs."

One project affected by the reductions is the Willow Road interchange at Highway 101 aimed at alleviating congestion at the West Tefft Street interchange.

With less development taking place, the impacts also will be less, at least in the near term, Ramey said, but the crunch caused by the need versus the available funding will always be there.

"Inflation and rising construction costs keep eating away (at the funding), so it makes it hard to catch up," he said. "We're building today's projects using 10-years-ago funds."

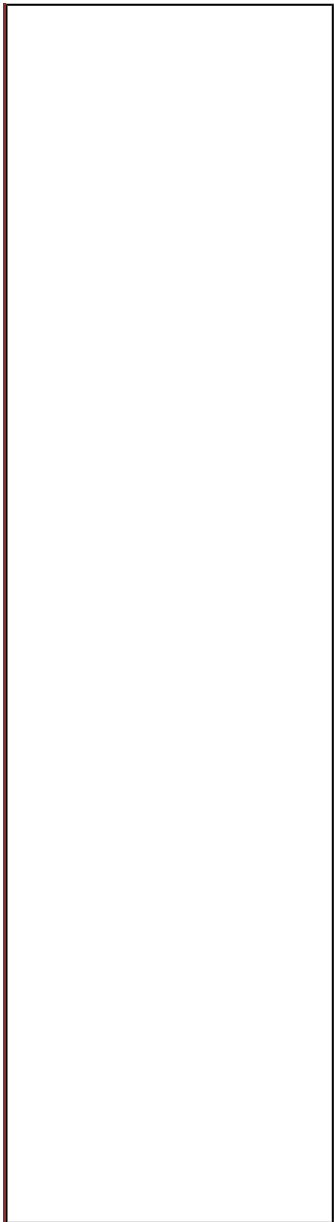
IMPACT FEE IMPACTS:

n Pismo Beach — 26-percent revenue drop may be covered by already-approved half-cent sales tax increase

n Arroyo Grande — 51-percent revenue drop may delay some projects in five-year plan, raise water and sewer fees

n Nipomo — 90-percent construction reduction means customers may pay more for sewer plant upgrade, supplemental water

n SLO County — Undetermined revenue drop means West Tefft interchange delay as funds shift to Willow Road project



Contact The Times Press Recorder

Main Phone: 805-489-4206

Copyright © 2008 Lee Central Coast Newspapers. All Rights Reserved.

All Lee Central Coast Newspapers pages are designed for [Firefox 2.0](#) and [Internet Explorer 6 or 7](#) with [screen resolutions set at 1024x768 or higher](#).
[Click here](#) for our [Privacy Policy](#) and [Terms of Use](#) applicable to this site.