

Redding to freeze fees

By Scott Mobley

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Redding will freeze building and impact fees for a year or two to take some pressure off the recession-hammered construction trades.

The City Council this evening agreed to roll back a 4.2-percent fee hike that kicked in Jan. 15 and keep fees at that level for at least a year.

The council also favored the idea of paying for a study to recalculate the fees based on today's market conditions, when construction bids have often been lower than expected.

The council did not vote on either of these proposals tonight. It will take up the issue again later this month when planners present a formal report.

Construction industry representatives persuaded council members to grant the freeze, although they had asked for a five-year hiatus from annual inflation-driven hikes.

Fees are the only lever local government can seize to help bring housing costs under control, said Mary Machado, executive director for Shasta Voices.

"We have to do something now, and I think the solution is to freeze the fees," Machado told the council. "We're just trying to find a solution to do something to help this economy. Five years down the road fees will be significantly higher and the problem will not change.

Fees for a new, three-bedroom, two-bathroom 1,800-square foot home are \$34,688. That sum also includes school fees, over which the city has no control, along with building and inspection fees, which are state-required. Utility hook ups and fees for fire protection, parks, streets, electrical service and storm drains account for 76 percent of the total.

The city has indexed these charges to inflation as measured by the construction cost index.

Jerry Wagar, president of Ochoa & Shehan Builders, Inc., said no one in construction is making money now yet business costs keep rising.

"Somewhere in here we need to create stabilization, because we cannot bear it," Wagar told the council. "The economics are such that we can't invest in our community. Should we be raising any impact fee in today's environment?"

Machado laid out a case for not merely freezing but rolling back fees, which she said are now far higher than justified, since development has not met expectations.

A traffic fee for the Oasis Road area in north Redding is based on a 10-lane overpass across Interstate 5, Machado noted. No one expects the city will need such a large interchange today, she said.

City Manager Kurt Starman agreed the city should at least re-examine the basis for the fees, which are based on the expected costs of the streets, bridges, sewer lines and water mains Redding will need to keep up service levels as it grows. Those fees were last calculated in 2000.

"The base fee may not be correct because the projected growth did not occur," Starman said. "We don't need as much infrastructure since we did not have the growth, but we don't have the revenue either. The only way to know the number is to do that math again. We may find the fee is just right right, too high or too low."

The city spent about \$200,000 for a consultant during its 1999-2000 impact fee study, Starman said.

Council members supported freezing fees for a couple of years at the most, but not any longer for fear inflation would cause sticker shock when the time came to raise them again.

The council's willingness to fee freeze is only the latest in a series of steps the city has taken since the recession started in 2007 to revive the construction industry.

The city has cut the building permit processing fee, deferred impact fee collection for new homes, postponed inflation-driven annual fee hikes and allowed builders to stretch their utility connection fee payments over three years — all in an effort to stimulate construction.



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