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Slowdown math: Impact fee drop to hit public projects

By Mike Hodgson/Associate Editor

With construction slowing to a crawl on the Central Coast, the developer impact fees flowing into county, city and school and special district coffers are, in general, also starting to dwindle.

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.

But most local jurisdictions say they aren't seeing any major impacts on their projects — yet — and the reasons for that are many.

In some places, there haven't been major reductions in impact fees because commercial construction has continued strong while residential construction has fallen off.

In other places, a drop in impact-fee revenue is anticipated but not expected to show up for as long as three years from now, either because it takes that long for projects to move through the approval process or because various fees are assessed at different points in that process.

Nipomo Community Services District is one of those agencies anticipating a slump in revenue because of the long approval period.

"We collected \$1.4 million in 2007-08," said Bruce Buel, NCS D 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."

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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.

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"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 that the district still must move forward on certain projects. "We're proceeding with planning."

The problem for the district — and, ultimately, those who live within its boundaries — is who will end up paying for projects that would normally be covered by the development impact fees.

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

NCSO collects impact fees for supplemental water, the Town Division water system, for which Buel said the district has ample resources to cover expansion and upgrade projects, and the sewer system.

Unfortunately, the costs for the expansion and improvements at the district's wastewater treatment plant will come due about the same time the building slump wave rolls through the approval process.

"We expect the Southland Wastewater Treatment Plant improvements to be done three years from now, which will be right at the low point," Buel said. "So the users will end up paying more."

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

Although a recent survey commissioned by the Home Builders Association of the Central Coast did not break down the funds paid to the county by areas, the fees pouring into San Luis Obispo County coffers are dropping, 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 reduction in impact fees is the Willow Road interchange at Highway 101, which is designed to alleviate congestion at the West Tefft Street interchange.

In addition to building the interchange, the project involves realigning and extending Willow Road from its junction with Pomeroy Road all the way to Thompson Road.

In 2002, the entire project was expected to cost less than \$10 million, but costs have increased rapidly. It's now estimated to cost \$42 million.

With less development taking place, the impacts also will be less, at least in the near term, Ramey said, but the

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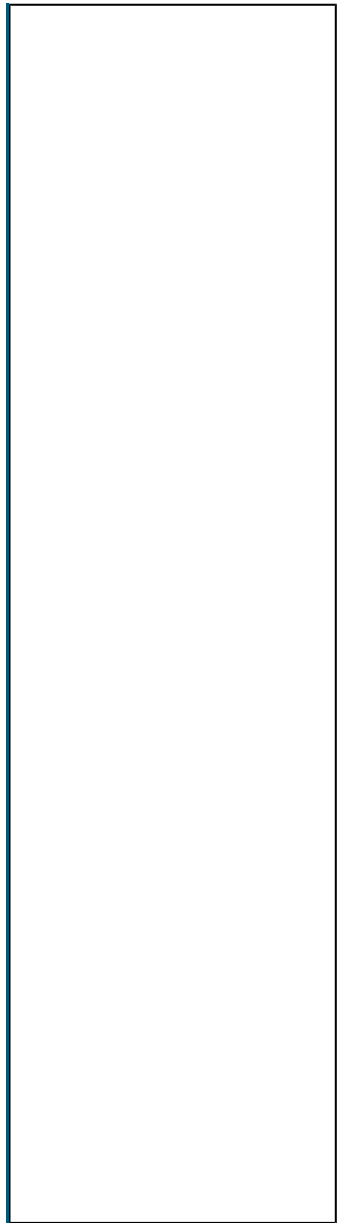
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crunch caused by the need versus the available funding will always be there.

"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."

As a result, Willow Road is sucking up funds that would otherwise have been used to make improvements at West Tefft Street to further alleviate congestion.

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