

Committee explores complexities of lowering development fees

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A task force discussion on the hot-button issue of city development fees Tuesday generated lots of ideas, but few specifics.

The group of Bakersfield City Council members and city staff is looking into ways to revive the local homebuilding industry.

Its first meeting centered on the \$12,870 transportation impact fee developers pay for each new home they build. The fee is meant to offset the effects of development on traffic, by paying for street improvements and the like, though not necessarily in the development the fee is paid for.

The fee was increased from about \$7,300 in 2009 for single-family homes built outside a defined core area of the city. Developers have said they are looking for the city to cut or defer the fee to help them keep the costs for new homes low.

The task force discussed ways to shift the burden of the fee off developers, but each option came with complications.

One possibility is to lower fees for a set period of time, then raise them later.

But City Attorney Virginia Gennaro said that option could increase the city's exposure to litigation. For example, if the fee was lowered temporarily, the city could be sued for not charging a high enough fee to mitigate development impacts the fee is meant to address now.

Gennaro advised the city to set a specific date for increasing the fee to make up for a period of lower fees, if that option is adopted.

Fees could also be shifted to homebuyers under another option. Builders would pay part of the fee up front, and the homebuyer would pay the rest of the fee through property taxes. Just how much homebuyers would pay wasn't settled.

Councilman David Couch suggested that this option could be implemented for a limited amount of time in a targeted area, such as for developments that are only partially "built out" with some streets and possibly a few homes.

City Manager Alan Tandy warned that measure could hurt the city's ability to raise money through bonds. A bond issue for the Thomas Roads Improvement Program (TRIP) is planned to take place in the next few years.

"You're delaying the receipt of the money which is necessary for us to have in hand to match the TRIP program," Tandy said. The city's ability to raise money through bonds will be based on its revenue for the last five years, and an option that would mean less revenue in fees for the city would mean less bonding capacity, he said.

"You're going to reduce our bonding capacity by stretching those payments out over a period of time," he said.

Couch countered that a targeted area for changes in the development fee would lessen that impact.

Yet another option is directing developers to use the Statewide Community Infrastructure Program (SCIP). SCIP is a program of California Statewide Communities Development Authority, an organization of cities, counties and special districts in the state that can issue bonds. Bakersfield has been a member since 2008.

Under this possibility, developers could recoup development fees, and homebuyers ultimately pay them. Developers would pay the fees up front, then apply to SCIP to have those fees reimbursed.

SCIP would issue bonds, which would be used to pay back developers for the fees, and homebuyers would repay SCIP through an assessment on their properties over time.

The possibility of financing the fee in a similar way to how certain sewer connection fees are paid was also discussed, but city staff said that idea was impractical.

Currently, home owners, in cases of financial hardship, can pay over five years without interest the fee for connecting to the city's sewer system when they switch from their own septic tanks. The city does about one or two of these a month, but in the case of the transportation impact fee, it could have 40 to 50 such agreements to process monthly.

The process would create an administrative burden on the city and also create other potential problems, such as the possibility that a homeowner falls behind on paying property taxes and the city can't collect the fee, city staff said.

"From a practical standpoint, it really wouldn't be prudent to try to apply that same type of process to the payment of development fees," said Rhonda Smiley, assistant to the city manager.

Representatives from Castle and Cooke, Lenox Homes, Towery Homes and other developers and Realtors attended the meeting.

"There's an urgency now going on in the building industry," said Matt Towery, president of Bakersfield-based Towery Homes.

"Our issue and our hope is that something will be discussed," such as rolling back the fee or asking homebuyers to pay it, "something to stimulate the economy now, to stimulate the opportunity to get us closer to the foreclosure market."

Towery said he guessed reducing the traffic impact fee for a year would allow his company to sell one or two more homes a month. That wouldn't bring building to pre-housing boom levels, "but it's something to start generating, to start turning the wheels."

"I think it's a good start," said Bruce Freeman of developer Castle and Cooke of the meeting.

"The only realistic thing is something that is a deferral (of fees)," he said. "Is there a way to finance it over a certain amount of time or eat the burden today?"

"We really want to help these guys, but it's important that we don't give away people's money, the taxpayers," said Councilman Harold Hanson after the meeting.