Watchdog report: Fresno County debates development impact fees

By Marc Benjamin

A fee for new Fresno County development could have generated millions of dollars to pay for government offices, parks, library space and other programs, but the money hasn't been banked in four years.

County supervisors voted last month to continue the fee deferral until 2016 and are considering whether to repeal it altogether.

The full fee — ranging from $2,860 to $4,399, depending on where the home is located — was supposed to be charged starting in 2010, the year it was suspended. An escalating portion of the fees for new single- and multi-family homes, commercial and industrial developments were collected in the two prior years.

Building industry leaders oppose the fee because it raises home prices in a cost-sensitive market that hasn't recovered from the recession. The suspension was seen as both an incentive to developers and a relief to people struggling to buy new homes.

But two former supervisors said the fees, approved in 2008, never had a chance to work as a long-term investment to improve county facilities.

If all the fees had been collected just for new single-family homes in Fresno, Clovis and unincorporated areas, the county would have accumulated $21.7 million since 2010, an analysis by The Bee has found.

Instead, during the two years a portion of the fees were in place, the county only collected about $769,000, which remains in an account. If supervisors repeal the fee, the money will be refunded to property owners — which Supervisors Debbie Poochigian and Judy Case McNairy are advocating.

The supervisors voted 3-2 in August to suspend the fee instead of repealing it. Supervisors Phil Larson, Andreas Borgeas and Henry R. Perea voted in the majority.

Weeks earlier, supervisors had advised staff to prepare to repeal the fee, but by extending the suspension, they kept the program alive, leaving open the possibility it could be restored.

Larson, who cast the deciding vote, said the suspension worked out "pretty well for developers." He said he continues to have discussions on the issue and wants more time to "think on it."

County officials say no fee can be instituted until a new study is done, and it's not in the county budget this year.

Fee studies are required every five years, so if the county used its existing fee structure, it could face a legal challenge, said Alan Weaver, the county's public works and planning director.

The study establishes the legal link between improvements for expanded county offices and programs and population growth, Weaver said.

The $100,000 study could take several months and then be subject to public hearings, negotiations with building officials and cities that could carry on for many more months.

Weaver agreed that the impact fee makes homes more expensive, but in the absence of having the fee in place, the county has to cover the costs of growth.

Money on the table?

In the past three years, Clovis single-family home growth nearly tripled. The city may never reach home building peaks that averaged 1,500 per year for part of the last decade, but it added 850 homes last year. If the county had collected Clovis' per-home fee of $2,860, it would have raised $2.43 million.

In Fresno, 1,157 homes were built last year. The county's fee is $3,357 per unit, which would have funneled $3.88 million into the impact fee account.

"We are leaving money on the table," said Perea, who supports a new study and new fees. "The county, as it grows, will have to deal with infrastructure and facilities that support that growth."

If supervisors had not suspended the fee, he said, the county could have had "a couple million in that pot."

Perea said the county shouldn't discuss refunding revenue.

"We're a county that has so many needs, and I don't think we are in a position to give money back when we need more facilities to serve an increasing population," he said. "We had it in play for two years and we suspended it for four (years). It's time to fish or cut bait."

Two retired supervisors, who like Perea supported the fees in 2008, said the county never should have suspended them.

Susan Anderson said the plan was to accumulate money from fees over the long term to build county facilities. She said many county buildings are old, need constant maintenance, lack energy efficiency and are not designed for how they are used.

"If the county had done this 30 or 40 years ago, our facilities would be much different," she said.

By discontinuing the fee during the recession and keeping it from reaching its full rate, supervisors "never gave it a chance to be successful," Anderson said. "This is a long-range strategy, so you can't put it in for two years and then eliminate it."

Bob Waterston said the cost of growth not paid by new residents who add to the county's needs has to be picked up by existing taxpayers.

"If there is no money coming out of builder fees, it comes out of the general fund and there is no (money in the) general fund," he said. "They never should have dropped it."

But several supervisors and building industry officials say they are concerned that reinstating the fees could depress the area's recovering housing market.

"To keep our housing prices affordable, I think we need to keep our fees down," Poochigian said. "I'd rather see money stay in the pockets of the taxpayers than in the hands of government."

Even with population increases, county services don't always have to keep pace because annexations by cities lower the number of county residents and allows the county to reduce services or keep them stable.

"We've built some pretty great facilities," she said. "You save until you can afford it."

Case McNairy, who supported the fee in 2008, said it doesn't apply to the county's needs today. If anything, she said, the county has excess office space.

"It was devised at a different time when we had supercharged growth and we were trying to provide services and people were pounding on our doors for services."

Fewer affordable homes

Mike Prandini, president and chief executive officer of the Building Industry Association of Fresno and Madera Counties, has reservations about Fresno County reinstituting the fee.

Median family income in Fresno County is about $55,000, which qualifies for a $160,000 home. With fees tacked on, the price of a new home could disqualify many potential buyers, he said.

Prandini cited a study showing that 450 buyers would be priced out of the market in Fresno County for every home price rise of $1,000.

"The lower the income, the much greater impact the $4,000 is going to have," Prandini said. "If you're only qualified for $150,000 or $160,000, it's enough to knock them out of the market. The feds are tightening up and the banks are really picky about the qualifications of a buyer."

Even though there was an upward bump in permits last year, Prandini said those numbers cut into permits for this year because developers tried to beat the clock on new, costly statewide building codes that went into effect and would have cost developers thousands of dollars per home in 2014.

Under Proposition 13 — which curbed property tax increases decades ago — the fees are legal, said Jon Coupal of the Howard Jarvis Taxpayers Association in Sacramento. It's based on the philosophy that "growth pays for growth."

While the fees do pay for community assets, they may not fit the plans of policymakers in certain areas who want to attract development.

"In communities that are starving for growth, it's the last thing you want to do," he said. "Given the recession that's hit Fresno, I can see why they would want to waive the imposition (of fees.)"

But fees are not the most significant reason home prices escalate, said Jason Moody, a managing principal with Berkeley-based Economic and Planning Systems, which prepares municipal fee studies and is in the process of a similar project for the city of Fresno.

While growth-related impact fees are common among cities and counties, Fresno's home prices are lower, so fees may make up a slightly higher proportion of the price, he said.

The question is about policy, he said, and if a community values programs paid for with fees.

"Developers say these are things everyone should pay for, but the fee is structured by law so that the developer will pay for the demand created by the new population," Moody said. "The real question is whether those things are going to improve our quality of life or not — not whether the fees are too high."

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