

Paying for public facilities in San Marcos

By: NED RANDOLPH - Staff Writer midnight April 8, 2007

SAN MARCOS -- When developer Mike McDonald submitted his proposal to build an LA Fitness Center and three smaller buildings on 6 acres of city-owned land across Rancheros Road from City Hall, he received a bill for \$1.2 million from the city.

The experience is a familiar one for developers such as McDonald, who are required to help pay for roads and infrastructure the city says it needs to handle traffic, sewage and drainage generated by their projects.

City officials have argued for decades that the fees are necessary to keep infrastructure in line with growth and in 1988, voters gave cities a heavy hammer with the passage of Proposition R, which requires developers to pay "their fair share" for public facilities and services.

"We take a managed facilities approach to growth, basically saying 'Look, you're entitled to develop in the general plan, but development will pay its fair share,' " said City Manager Paul Malone.

That approach has paved the way for major road improvements, including the city's five interchanges along Highway 78 and the extension of Twin Oaks Valley Road to San Elijo Hills, which is scheduled to open in mid-July.

Every city in the county charges developers some level of fees to help offset the extra traffic and demand on services created by their projects. However, San Marcos typically ranks at the top of the list.

"We don't make any bones about it. They're very high out of necessity and that certainly works to the benefit of the community," Malone said. "Ours are if not the highest amongst the very highest, which is absolutely in keeping with Proposition R."

Fee amounts are generally based on population growth and traffic circulation reports assembled by the San Diego Association of Governments, but the methodology differs.

"The whole fee situation has just taken on a life of its own over the years," said Michael Pattinson, president of Barrett American, a Carlsbad-based home builder. "It's been proven on many occasions that jurisdictions charge fees that are excessive and in some cases illegal."

Costs are simply passed down to consumers and especially home buyers, he said.

"That is why in the residential arena, fees are so expensive that people are priced out of homeownership," he said. "We build in San Marcos, and it's very difficult to produce houses in that city for less than \$500,000. A large reason is the exorbitant fees and regulations."

Keeping up with growth

San Marcos' top building official, Carl Blaisdell, said that cities growing rapidly probably charge the highest fees because of a strain placed on infrastructure and services. San Marcos has regularly topped the county in rate of growth during the last few years.

"Overall, when you see high fees, it's typically based upon growth conditions," said Blaisdell. "Carlsbad has been a growth city. Those cities throughout the county always have higher fees. Chula Vista is a growth city."

The Building Industry Association, however, which issues an annual report on fee rates in San Diego County, takes issue with cities shouldering too much burden onto developers.

"Our position has been that we should be only paying for the incremental impact of new development," said Jerry Livingston, the association's general counsel. "Frequently, we find cities attempting to correct existing deficiencies in their system with new development money, which is not only illegal but improper. All of them on one level or another attempt to do that."

While most of the smaller cities try to do the right thing, he said, "I still think they're largely just a little over the line to their benefit, but not enough to make our membership feel like challenging them in court."

In healthy markets, developers are willing to absorb the costs, but when money is tight they tend to push back more, Livingston said.

"I think (San Marcos) has created a legally defensible fee," he said. "In some cases, I think they overestimate the impact of commercial development to the extent that it generates the need for more infrastructure than probably is necessary."

Livingston said it's difficult to compare fees because cities assess them differently, and the fees pay for different needs.

"There's no way to compare jurisdiction to jurisdiction. Some may be paying too much for what they get even though it's less than the jurisdiction next door," he said.

"Is \$30,000 more than \$20,000, when you may be getting a whole lot more infrastructure with \$30,000?" he asked.

Livingston said that San Marcos phased in the last big rise in its fees, and now they're reviewed on an annual basis. "While members don't like fees, at least they can plan ahead in the life of a project," he said.

Sandy Rees, chief executive officer of the San Marcos Chamber of Commerce, said that while no one likes paying fees, some developers are at least assured that they are all charged equally.

"In San Marcos, it's pretty standard. People aren't treated preferentially. People know where they stand," said Rees.

She said developers who are savvy and concerned about their project's impact on the community, understand the need to support infrastructure.

"It's not that everybody loves it, but the understanding is that it's a fair process," she said.

One of the reasons developers don't fight fees is that they are at the mercy of cities that grant their land entitlements and their livelihoods, said Pattinson.

"Local government is holding all the cards," he said. "They are the jurisdiction that entitles the land for whatever purpose. If anybody is uppity enough to challenge cities on fees, recrimination is the result."

Breaking it down

San Marcos updates its fee structure each fiscal year. For 2006-07, the fee for residential projects is \$12,270 per unit for multifamily developments, and \$16,150 for a single-family home.

The city breaks that down into amounts for parks, street improvements, highway interchanges, technology improvements and habitat conservation.

On nonresidential projects, the charges are based on acreage.

Commercial projects cost \$181,482 per acre. Industrial projects cost \$78,595 per acre. Business parks cost \$143,383 per acre, and office space costs \$136,181 per acre. Projects built in one of the city's six drainage basins have a different fee based on acreage.

Developers may opt to build the infrastructure on their own and receive a credit against the fee assessment, which is the case for San Elijo Hills, a 3,400-home development in southwest San Marcos. San Elijo Hills is building the \$28 million Twin Oaks Valley Road extension, and will be reimbursed for about 60 percent of the cost by the city, said San Elijo General Manager Curt Noland.

The variation in the fees is based on the projected average daily car trips that a particular kind of project generates, said Blaisdell.

McDonald said that for all practical purposes, he is paying \$20 a square foot in permits and fees for the Civic Center Plaza. That's in addition to the \$200,000 charged by the Vallecitos Water District for sewer and water hookups, he said.

"The logic behind that is that a lot of those fees are calculated and derived by traffic generation of occupants -- average daily trips," he said.

A single-family home for example, is estimated to generate 10 average daily trips, which McDonald said costs about \$30,000 per home.

"One of the things that I think the city of San Marcos does effectively is show the breakdown," said McDonald. "They show what's for major arterials, what's for surface streets, what's for parks and recreational areas. Different cities have different rates depending on the drainage problems or lack of problems you have in one area or another."

Carlsbad charges two types of developer fees: a public facilities fee, which is based on the valuation of property, and the traffic impact fee, which literally charges per daily trip.

The city uses a table that determines average daily trips for everything from churches to super centers. And each average daily trip is assigned a dollar value, unless the developer makes the improvements on their own.

"It's pretty straightforward," said Raenette Abbey, a Carlsbad planning technician.

While more simplified, the acreage approach to fees used by San Marcos may create the unintended consequence of higher density, said McDonald.

"You have an incentive to load up a property. The more square feet you can get on the same amount of land area, your land cost per square foot of building area reduces," McDonald said.

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