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Inland News

Housing woes impact road improvement fees

TRANSPORTATION: Funds paid by area developers for county projects are dropping significantly.

10:00 PM PST on Monday, November 5, 2007

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The Press-Enterprise

The region's slumping housing market, already sending shockwaves through the Inland economy, also is beginning to reduce the amount of money available for transportation projects.

A major transportation fee paid by builders to Riverside County for roads, bridges and interchanges is raising half as much as just a few months ago, officials said. And housing woes have helped depress consumer spending, which means less money for the biggest transportation fundraising source in Riverside and San Bernardino counties.

Receipts from those special half-cent sales tax measures approved by voters to pay for transportation improvements are either flat or are down by as much as 5 percent.

Finally, uncertainty regarding when vacant land can be developed in such a market has county officials watching closely whether they should sell bonds to build road projects through the use of community facilities districts. If the market drop continues, those projects could be delayed as well.

The issue points out the close connections between transportation, housing development and the regional economy. The same development that helps create traffic congestion also helps pay for projects that make a dent in the problem. When housing slows, less money is available.

No specific freeway widening or road construction project is in danger yet, transportation officials said. But with the housing downturn and related economic problems expected to continue into next year, local officials who set spending priorities could have difficult decisions ahead.

"The revenue stream right now is way down," said Rick Bishop, executive director of the Western Riverside Council of Governments, which administers the Transportation Uniform Mitigation Fund, or TUMF.

Bishop said the 30-year TUMF effort will experience peaks and valleys. About $400 million already has been raised, in part because high rates of development in the program's first two years created more fee income than planners had expected.

"The slowdown in the market is actually allowing the road construction to catch up with all the fees that were paid a few years ago," Bishop said. With the millions on hand, the agency is trying to quickly plan and build projects, he said.

San Bernardino County also has a program, like TUMF in Riverside County, to ensure that development pays for transportation projects. But the responsibility for collecting those funds lies with the individual cities not the county's transportation planning agency, known as San Bernardino Associated Governments, or SANBAG. As a result, SANBAG does not track the funds as closely as Riverside County.

Instead, when a project is built, SANBAG pays its share and the cities that will benefit from less traffic congestion contribute an agreed-upon amount, Executive Director Deborah Barmack said.

Until a project slated to be built with such funds gets closer to construction, it is difficult to say how the housing downturn may affect San Bernardino County's effort, she said.

"We have some projects ready to go to construction in the next two years, and we will see how that plays out," she explained.

Those connections are why transportation officials are watching closely whether the housing market appears to be getting better or worse.

A two-year slump, that started earlier this year, is most likely, according to Redlands economist John Husing, who studies the region. He said the downturn likely would continue through January 2009 for new homes and possibly another year for existing homes "with a lot of bloodletting in between."

Husing cautioned, however, that nobody really knows how long the region's dominant industry will be afflicted -- or what the impact will be on transportation.

"Anybody who tells you they know what this thing is going to do is a liar. We're all throwing a dart here," Husing said.

There is no doubt that local economic problems are beginning to affect transportation funding, Husing said. But he questioned whether the entire impact can be attributed to the housing market.

High gasoline costs, for example, may be hurting the sales-tax measures that raise money for transportation, Husing said. Those costs reduce the amount of money consumers have to spend on other things and their willingness to buy new vehicles, which account for 20 percent of retail sales in the state.

Consumer behavior also is a factor, Husing said. When people stop buying new homes, they also stop buying the furnishings and other housing-related goods. Fewer people are tapping their home equity as a result of the meltdown in the mortgage industry. That means less money is available for large purchases that have boosted transportation's share of sales taxes in the past.

"People have been using their houses as a cash machine," Husing said. "That has pretty much stopped."

San Bernardino County officials have watched receipts from their sales-tax program, called Measure I, drop from double digits to essentially no growth since January, Barmack said.

"It is very stagnant as a result of lower retail purchases," she said. "But it's a little too early ... to be talking about trends."

Riverside County officials said their Measure A sales-tax receipts are roughly 5 percent down compared to the same quarter last year. A more accurate accounting of the problem is a few months off, they said, because there often is a lag of several months between when consumers buy goods and local governments find out their share.

"Any downturn calls some sort of concern, but you have to look at it on a long-term basis," said John Standiford, spokesman for the Riverside County Transportation Commission. "There is still long-term confidence in the economic viability of this county."

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