



Local government fees on homebuilders in Sacramento region far higher than comparable areas of California

North State BIA study compares local fees to Central Valley, Inland Empire; offers ways to reduce charges that affect production, harm affordability

Note to editors: Short, graphical report summary is [available here](#); executive summary is [available here](#).

(June 2, 2021) A comprehensive study by housing economics experts found that local governments in the Sacramento region charge homebuilders fees averaging \$95,000 per new home – a full \$40,000 more than fees charged in comparable housing markets in California’s Central Valley and Inland Empire regions, the North State Building Industry Association reported today.

Mike LaFortune, the BIA’s 2021 Chairman, said the study clearly shows that the excessive fee burden is a strong contributor to the region’s affordability challenges and puts homeownership out of reach for thousands of area families. He urged local officials to consider how their fees impact housing production and homeownership and to take every step possible to keep the fees as low as possible.

“The report documents that fees are higher in almost every category for comparable homes than they are in the Central Valley or the Inland Empire, two parts of the state with housing markets similar to Sacramento’s,” he said. “Some of these fees are unavoidable, like the cost of building essential infrastructure to new homes, but many of these fees could be less and still provide for quality neighborhoods.

“It is clear that cities, counties, special districts, school districts and other public entities can control how much they charge, and they are charging far more in the Sacramento region than their counterparts impose in comparable areas in California. There is no reason why these fees should be nearly twice as high in Sacramento than they are elsewhere. Using the study findings, the BIA and its members will work with local jurisdictions to calibrate fees based on the comparative data and study findings.”

The study was conducted by Economic and Planning Systems, a Sacramento-based firm that provides expertise on real estate development, land use issues and public policy for public- and private-sector clients throughout the country. Compared to local governments in the Central Valley and Inland Empire, Sacramento-area jurisdictions charge:

- Transit and transportation fees averaging between \$7,500 and \$10,000 higher per home.
- Affordable housing fees averaging \$4,000 higher per home.
- Fees for parks, recreation and trails averaging between \$5,000 and \$7,500 higher per home.
- And school district fees averaging \$7,500 higher per home.

Fee burdens range from over \$105,000 per home in unincorporated parts of Sacramento and in Folsom to just over \$65,000 at certain infill projects in Lincoln. In other parts of the state, fees are roughly \$40,000 per home in Lodi and Modesto, \$60,000 in Clovis and roughly \$65,000 in Manteca and Turlock. In the Inland Empire, fees are under \$50,000 per home in Menifee, Riverside and Fontana and under \$70,000 in Ontario and Lake Elsinore.



The study found that higher fees have a significant impact on affordability.

“Robust impact fees can be a deterrent to growth and investment and are usually only sustainable in higher-income developments or communities,” the report states.

When financing a new home, an additional \$40,000 in fees costs the new homebuyer

- \$175 extra a month
- \$2,000 extra a year
- and an incredible \$60,000 more over the course of a 30-year mortgage.

The National Association of Home Builders calculates that every \$1,000 price increase prevents 936 families from affording an average home in the Sacramento region, meaning excessive fees make it impossible for some 37,000 local families to be able to buy a new home.

And in a state where the lack of new home construction over many years has been a major factor in driving up housing prices, higher fees can determine whether a new home community can even be built. A [recent study of major California builders by USC](#) found that half had abandoned proposed projects due to fees.

The study recommends that local jurisdictions should:

- Cut fees to incentivize desired building types or projects.
- Reduce or remove optional or unnecessary amenities to bring fees down.
- And use local funds for larger community amenities that benefit the entire community.

LaFortune said fees more in line with other comparable communities would boost affordability.

“To regain housing affordability, we need to build an additional 3- to 4 million housing units. But instead of building 400,000 units a year to reach that level by 2025 as Governor Newsom has called for, we’re only building 100,000. Local governments need to take a hard look at how much they charge in fees and to keep the fee burden as low as possible to spur construction and improve affordability for local families,” LaFortune said.

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