City takes responsibility for failing development

BY STEVEN MAYER, Californian staff writer
smayer@bakersfield.com | Wednesday, Apr 01 2009 10:48 PM

When the bottom drops out at powerful insurance companies and Wall Street banks, they sometimes look to the federal government for bailouts.

But when local developers can't fulfill their agreements, should local government come to the rescue?

The answer is a reluctant "yes" -- if the Bakersfield City Council is any indication.

The council voted 6-0 Wednesday evening to assume responsibility for finishing millions of dollars worth of roads, amenities and parks in the stalled City in the Hills development in northeast Bakersfield. Councilman David Couch was absent.

A "UNIQUE" SITUATION

No one on the council sounded happy about the city taking on a role it was never meant to assume, but most agreed they had little choice. Continued chaos and litigation would ensue otherwise, warned City Manager Alan Tandy.

Not only that, Masterson Road, a much-needed access road for area residents, could remain a torn up mess for years if the city didn't act now, Tandy said.

Councilman Ken Weir, whose ward includes the troubled development, led the charge for passage. Yet even he acknowledged he was "not jumping for joy" over the prospect.
Councilmembers Harold Hanson and Sue Benham, however, voiced serious concerns that taxpayers outside the development might be impacted. And Benham wondered how the city ended up in such a weak position in the first place.

"Are we going to be hearing about more of these in the future?" Benham asked.

Hanson questioned why the developer wasn’t required to be "performance bonded," to protect the city against just such an eventuality.

Bonding is not required in these kinds of agreements, city staffers said.

Still, Hanson wavered, suggesting they wait 30 days to allow councilmembers more time to get up to speed on the complicated details.

"Not that I don’t have faith in you guys," Hanson told city staff without a hint of irony.

THE BEGINNING

In 2005, the city of Bakersfield entered into an agreement with developer Mountain View Bravo LLC, wherein the developer would construct $13.1 million worth of improvements at City in the Hills that would later be acquired by the city.

The city sold limited obligation improvement bonds and planned to acquire the improvements with the proceeds. Such agreements allow developers to shift the high cost of some neighborhood amenities away from the initial price of the home and into residents’ assessment taxes.

The square-mile development north of Highway 178 and about a mile east of Morning Drive was the first to kick-start the growth spurt in the once-rural hills in the northeast.

Just one year ago Mountain View Bravo’s spokeswoman said the developer was committed to completing City in the Hills. But Tandy and other city officials said the developer is no longer in a position to complete the required improvements.

PROMISES BUSTED

There should be enough in the bond fund to cover the improvements, city officials said. But the two parks promised to people who bought homes in the development are another story, said Public Works Director Raul Rojas.

Once touted in sales brochures and by real estate agents as lake-decorated parks with all the best amenities, under the new agreement, they are now expected to become basic city parks.

How they will be paid for, "that’s something we still have to work on," Rojas said.

Some of those who moved to City in the Hills based on promises made by developers now feel cheated, plain and simple.

"They sold me on this promise that it would be developed a certain way," said homeowner Freddy Hernandez, who attended Wednesday’s meeting.

"Now it’s ‘Have a nice life.’"

Several residents of the ranchette-style homes that existed north of the development long before it was a development, said the council’s decision was bittersweet.

City in the Hills should never have been approved by the city of Bakersfield, said ranchette owner Henry Gallego.

A promise from developers to widen Highway 178 from Fairfax Road east to the development never became a reality, he said. It was the first of many promises broken, he added.

The development itself is full of hundreds of concrete driveways that open to weed-strewn lots and...
sidewalks that go nowhere.

Concrete pipe and piles of dirt are common sights in some parts of the development.

Nearby residents complain of nails in their tires from construction debris and dust in their homes.

"The disaster this city fell for, Gallego said, "is City in the Hills."

In other business, the council:

* Approved the sale of up to $16.5 million in tax allocation bonds to allow several redevelopment projects to move forward, including acquisition of property adjacent to the downtown Mill Creek project and the development of urban housing and other mixed-use projects in or near downtown Bakersfield.

* Agreed to rescind a 4 percent salary increase scheduled to go into effect Dec. 21 for supervisory and management city employees. The employees agreed to the action with the understanding that it will ultimately apply to all city employees. If the he action is extended to all city employees, it is expected to make up for about half of a projected $6 million shortfall in the city's general fund. It would not affect the more than 8 percent in raises most city employees have received since December 2007.

* Directed staff to schedule a public hearing with the goal of replacing quarterly billings for blue-can recycling service with an annual service fee on users' property tax bills. The recommendation came as a result of complaints from customers who find the $12 quarterly billings inconvenient.