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Debate over 'impact fees' heats up

Home builders rank Birmingham 39th out of 300 metropolitan areas

Birmingham Business Journal - July 27, 2007 by [Lauren B. Cooper](#) Staff

Birmingham isn't escaping the hot national debate over impact and regulatory fees imposed on builders.

A new report from the National Association of Home Builders shows some localities around the country are making homes less affordable by imposing the fees.

The study found that in the Birmingham/Hoover metropolitan area, which has 427,776 households and a median home price of \$223,653, 832 potential buyers would be priced out of the market if \$1,000 was added to the home price at the beginning of the construction process through impact and other regulatory fees. That relatively high number put Birmingham 39th out of the 300 metropolitan areas in the study.

The debate over impact fees and regulatory costs, which can be used for water and sewer hook-up, roads, schools and other infrastructure systems impacted by new construction, is an ongoing battle between the home-building industry and government entities.

"We don't think they (impact fees) are bad," said George Williams, president of the Greater Birmingham Association of Home Builders and Precision Homecrafters LLC.

"We're against the arbitrary implementation of fees not used for their intended purposes."

Williams suggests the money be segregated and used at some point in the future to maintain and replace existing systems as they become insufficient, which he argued is not happening in many cases.

Impact fees vary greatly in the Greater Birmingham area with its numerous municipalities and governments.

The southern area of Birmingham, which includes much of Shelby County, has the closest median home price to that analyzed by the study. But county officials said they don't see the adverse effects the study suggests.

Alex Dudchuck, Shelby County's manager, said the definition of an impact fee is too broad to be defined by the NHBA's report.

"There may be other locations in the MSA that have had adverse impacts," he said. "But based on the last decade and current practices and discussions about fees, we don't see it."

Dudchuck said impact fees and what the county calls capital recovery charges will always be a point of debate, but lately the county has seen collaborative efforts with builders get beyond that.

Ray Hamilton, the county's manager of development services, said even with all the pushing and pulling when the market is soft, Shelby County is still the fastest growing county in the state.

"The reason that the builders continue to want to develop in Shelby County is because of the county leaders being proactive and the example of a new \$80 million waste water treatment plant speaks for itself."

But home builders' continued frustration stems from being a large source of revenue for some localities through impact fees.

Every jurisdiction needs revenue, said Jerry Wood, general counsel for the Home Builder Association of Alabama, but home builders aren't willing to pay all of the costs for remediation and to fix the systems.

"The home builders association wants to pay its fair share, but not everybody's share," he said.

"We can agree on anything. Everything's negotiable."

But those on both sides of the fence agree that it could be worse, as is the case in many parts of the country.

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The NHBA study also showed that, based on the data from the 300 metro areas, with every \$819 increase in impact fees, \$1,000 will be tacked onto the price of the home at the beginning of construction.

And with every \$1,000 increase in the price of a new median-priced home, it forces 217,000 households out of the market.

The Dallas-Fort Worth-Arlington metro area ranked No. 1 on the list with 4,193 would-be home buyers priced out of that market, while the New York-Northern New Jersey-Long Island metro area ranked No. 2, with 4,170 households priced out.

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