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Impact fees unfair to new home buyers

Published Sat, Feb 7, 2009 12:00 AM

A growing reliance on impact fees by local governments in many states is adding to the rising cost of housing in many markets. As impact fees and other regulatory costs rise, thousands of families are priced out of the opportunity to own their own homes.

Impact fees are charges levied against new development in order to generate revenue to pay for capital improvements. Usually, impact fees fund infrastructure needs such as schools, roads and water and sewer service. Such fees are, in effect, a hidden tax on the purchase of a new home. They are sometimes referred to as a "welcome, stranger" tax.

Economists and homebuilders agree these fees are simply passed on to those families who purchase a new home. In some places, impact fees are becoming a barrier to homeownership for many moderate-income families. Impact fees don't just affect the price of new homes. By raising the price of new housing, they affect the price of all homes -- including rental housing -- in the market.

In some parts of the country that are experiencing serious housing affordability problems, high impact fees are clearly a big part of the problem. An excellent -- though troubling -- example is Livermore, Calif., where impact fees and regulatory costs on a new home can top \$118,000. That's not the cost of the home. That's the cost of the fees and regulations on each home.

While the local Beaufort economy is vastly different in comparison to California, fees and regulatory costs can top \$20,000 in some areas of Beaufort County. Again, these costs are not part of the home cost.

Local governments with tremendous fiscal challenges are choosing to raise impact fees as a way to solve their budget woes. This unfair tax makes buyers of new homes pay for capital improvements that are used by everyone in the community.

Many supporters of local impact fees argue that new homes and development increase the burden on local schools and on services such as fire and police protection. The reality of the situation is that local government services are generally increasing in cost regardless of the rate of population growth. It is not only unfair but also unrealistic to tax new home owners to pay for services and budgets that have long been exploding before the expected growth.

Local and state governments have continued to overstate the costs of new housing, and more importantly they continue to underestimate the economic benefits of growth. Too many fiscally challenged communities, Beaufort County included, are turning to impact fees that penalize home buyers. The reality is that bond issues and other finance mechanisms have been shown to be more cost effective and a more fair distribution of the costs of infrastructure that benefits the entire community.

Representing homebuilders of the Lowcountry as president of the Home Builders Association, we are not only surprised by the legislation introduced by state Sen. Tom Davis, but we are strongly opposed to any new fees placed on new development and construction -- be it impact or otherwise.

These taxes disguised as impact fees, will only cripple the American dream of building a home and destroy an industry that is struggling to survive in this economy.

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Editor's note; Patterson is president of the Home Builders Association of the Lowcountry.