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Builders call for relief on local home- impact fees

By Christie Smythe

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Home builders are working to roll back or delay some Tucson-area impact fees to help the new-home industry weather its slump.

The Southern Arizona Home Builders Association has been asking local governments to allow builders to postpone paying impact fees until after houses are sold rather than when construction permits are issued. The organization also is working to delay and temporarily reduce a new impact fee in Marana.

SAHBA representatives said the postponement of fees is necessary to help the home builders offer lower prices and make more sales in a slumping real estate market. Impact fees are generally intended to help pay for road construction, water utility improvements and other infrastructure needed for new-home development.

"We think it would be a good time for any local government to try to defer any new fees they have and hold them off until the economy picks up," said Ed Taczanowsky, president of SAHBA.

Various fees for a median-priced, 1,941-square-foot new home can total anywhere from \$20,895 to \$32,953 throughout the Tucson area, depending on the jurisdiction, according to research by SAHBA from January. Those costs can result in an additional \$47,545 to \$74,979 in mortgage payments, SAHBA said.

Home builders have been offering deep discounts and other incentives in recent months to help stimulate buying in a slow market. Lowering fees could help further, said John Strobeck, a local housing market analyst.

"Anything that can reduce pricing will help the current situation," he said.

Home-building permits in the Tucson area hit a record of nearly 12,000 in 2005. This year, permit volume is likely to total less than half that, according to a September sales report by Strobeck's Bright Future Business Consultants.

Although reducing or delaying fees might help builders sell homes by lowering prices, cutting impact fees might jeopardize a community's ability to accommodate growth, said Alberta Charney, an economist with the University of Arizona's Eller College of Management.

"Impact fees are designed to cover some additional infrastructure costs," she said. "If those impact fees are actually intended to cover those costs, then I don't see why there should be an abatement, whether it's good times or bad times."

SAHBA spokesman Roger Yohem said that by helping builders offer lower prices, communities will benefit by gaining more income from fees in the long run.

"The challenge is making sure that the fees that are levied match the demands of new growth," he said.

The initiatives SAHBA has worked on include:

? Delaying the payment of fees until buyers purchase new homes.

A state law adopted last summer allows local governments to charge the fees when homes are sold rather than when construction permits are issued.

Currently, impact fees are paid by builders when they obtain construction permits. The fees are then passed

along to buyers when they purchase homes. Yochem said the cost of financing the fees between construction and the sale can add more than the cost of the impact fees to the price paid by consumers. Eliminating the waiting time would allow builders to charge lower prices, he said.

So far, Pima County and the town of Marana have been the most receptive jurisdictions to the idea, Yochem said. Tucson Assistant City Manager Karen Masbruch said she was not aware of any ongoing effort to change impact fees in Tucson.

? **Rolling back a new fee in Marana.**

Marana's Town Council is scheduled to vote Dec. 18 on two proposals for the implementation of a new impact fee to help pay for road construction in the town's northeastern section. SAHBA has asked that builders not be charged the fee during the first six months of next year and then pay only a portion of the fee for the rest of the year. The new fee will be \$6,872 per single-family home.

Marana town engineer Keith Brann said he is not opposed to the home-builder organization's requested six-month delay on the fee. But Brann said he doesn't support allowing builders to pay a reduced fee for the following six months.

"With the state of the housing market, I really had no issue with the six-month delay," he said. "I don't think we're going to have too many homes fall through the cracks."

? **Reducing a new water fee in Oro Valley through 2011.**

In June, Oro Valley's Town Council approved a measure to allow home builders to pay a reduced price for a new water fee through 2011 at the request of SAHBA, Realtors and other groups. The fee will be \$5,182 for a typical single-family home in 2011.

"We looked at our financial projections, and we heard the concern from the home builders that having the impact immediate would be problematic for them," Oro Valley Water Director Philip Saletta said.

Bankruptcy looms for some home builders

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Check out a multimedia presentation about the slumping housing market at go.azstarnet.com/multimedianews

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