

Recession has slowed growth to a crawl

By Prentiss Findlay
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MOUNT PLEASANT — The Scotts Creek development on Rifle Range Road has a lot going for it: A 6-acre landscaped park with fish-stocked ponds, walking trails, grand oaks and a kayak dock. Decorative fountains. A creek that connects to the Intracoastal Waterway. Nearby beaches, golf, marinas and dining.

What's missing is people living there.



Grace Beahm
The Post and Courier

Lots are empty and unsold at Scotts Creek neighborhood in Mount Pleasant. The town's rate of growth, once nearly 10 percent annually, has fallen dramatically since the national economy lapsed into recession.

In January 2008, 70 lots at Scotts Creek were put on the market. So far, eight have been sold. Not a single luxury house has been built. The empty development is a victim of the recession, experts said. Market psychology and credit availability are primary factors, said Kent Johnson, vice president of development for The Beach Co.

"We're having to be patient due to today's marketplace," Johnson said. "There are just no buyers out there."

Less than a decade ago, it was a much different story.

Town growth was racing along at nearly 10 percent annually, and officials worried that the infrastructure, particularly the road system, would be overwhelmed.

In response, the Town Council passed a home building permit allocation program that went into effect on Jan. 1, 2001. It allowed up to 620 single-family home permits annually.

Critics say the system drove builders to Summerville and North Charleston, where they could construct and market more affordable homes without the hassle of building under the permit system. Because permits were prized, builders who obtained them invested in large, expensive homes, experts said.

"Typically, when the government starts controlling the market, it really creates problems," said Phillip Ford, executive vice president of the Charleston Trident Home Builders Association. Council artificially inflated housing prices with its permit system, he said. "They're reaping some of the problems they sowed from permit allocation. They're saying they want us back. It's a nice gesture. The market has just got to cycle out," he said.

Developers challenged the permit allocation program in state and federal courts. The town spent more than \$30,000 to defend it. Today, growth is at 1.7 percent, which prompted the town to suspend the program until growth reaches at least 3 percent.

Mount Pleasant was the only Lowcountry municipality with a building permit allocation program.

Originally, Scotts Creek lot prices began at \$265,000, but now the cheapest lot is \$180,000. A "speculative house" will be built by the developer to try to jumpstart sales. "People love the neighborhood. The market just is not dictating new homes going under construction right now," Johnson said.

He remains optimistic. "We're fine. We still believe in Mount Pleasant. The economy is just not here right now. We're still very bullish and very positive. We're just waiting for these market conditions to turn around."

In 2005, the town had an average of 600 homes on the market each month. In 2008, the monthly average climbed to 1,749 residences for sale. Town Councilman Joe Bustos said the problem would be worse if the town had not implemented a building permit allocation program. "We would have a lot more inventory sitting open," he said.

Development impact fee and business license revenue collections are down, but real estate taxes are steady. The town has avoided raising property taxes by freezing 27 vacant

positions and implementing other cost-savings measures related to personnel and operations. More belt-tightening is anticipated to avoid dipping into the town's \$7 million savings.

"Just like families, we have to go out and find ways to pay bills. We need to find out what it takes to get to 3 percent without going to the taxpayers," Bustos said.

The economy has affected plans for 656 Coleman, a luxury townhome and office complex that is part of the town's Coleman Boulevard revitalization effort.

Jeffrey Thomas appeared before the Town Council this month asking for a four-year extension of the "impact assessment" approval for 17 townhomes being built at the location. Six townhomes have been finished and sold. Five townhomes are unfinished and unsold, and six units are finished but not sold, he said.

"The project became economically unfeasible due to external market forces, and it's a bad situation," Thomas said. He said he is a former developer for the project.

The council granted the townhome project a two-year extension with the understanding that Thomas could return to request additional extensions as needed. The commercial part of the project is nearly finished, he said.

Since 2004, the number of single-family homes built in the town has been dropping. In that year, 917 homes were constructed. Although only 620 single-family home permits can be issued for a single year, the numbers include properties not subject to the allocation program because developers negotiated separate agreements with the council.

For 2008, the year the permit allocation system was suspended, the number of constructed homes dropped to 156.

In his State of the Town address this month, Mayor Harry Hallman referenced the sour economy, calling it "more than a little frightening for a lot of people right now." The town began to position itself to deal with the slowdown a year ago.

"But this unpleasantness will end, and we are positioning the town to take advantage of the recovery," Hallman said. The town has moved some staff into its new Office of Community Development and Tourism. Hallman noted that the town has two new hospitals under construction. The new \$14 million Memorial Waterfront Park opens in July. And \$250 million in road projects has been secured since he took office eight years ago.

"Frankly, we're going to have to market our town in the future to get families to move to Mount Pleasant. The competition is keen. And we'll have to work with our private business

partners to show investors that our town is not just a safe bet for their money, but it is a home run."

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