Impact fees for new homes to jump in July

 Builders expect to absorb higher fees, since housing market is slow

 by Sherry Greenfield | Staff Writer

 The impact fees charged to homebuilders in Frederick County will jump 13.16 percent on July 1, frustrating builders who are struggling with a slump in new home sales.

 “Thirteen percent is certainly pretty steep,” said Bryan Patchan, executive director of the Frederick County Builders Association. “This will be a big jump.”

 Builders traditionally pass the cost of impact fees onto buyers in the form of higher home prices, but the housing slump could force them to absorb the higher fees, Patchan said. “In a market like this, it’s hard to pass anything on to the consumer,” he said.

 Homebuilders pay impact fees when they obtain building permits, and the county uses the money to build schools and libraries, which are impacted by the increase in residents, thus the term “impact fees.”

 On July 1, a single-family home impact fee will jump $1,526, from $11,595 to $13,121. On a townhouse, the impact fee will increase $1,259, from $9,573 to $10,832. The fees are the same for each single-family home and each townhouse regardless of the cost of the house.

 The Frederick Board of County Commissioners has the authority to set the impact fees. Every three years, county staff studies the fees then recommends a new rate.

 In the years in which the study and recommendations are not made, county code provides an automatic increase based on rising construction costs.

 The fee is automatically adjusted to account for the increase in inflation, said John Kroll, the county’s finance director.

 In the past, commissioners raised impact fees based on figures released by the building industry publication Engineer News Record’s construction index.

 This year, commissioners used the Maryland school construction cost index set by the state, which for fiscal 2008 shows a 13.16 percent increase in building costs.

 Commissioners felt it made more sense to use the school construction cost index because a majority of the impact fee goes to building schools, Kroll said.

 Commissioners have the authority to adjust the automatic jump in fees to a lower percentage or not increase them.

 The board, a majority elected last year for its slow- to no-growth platform, took no action on the fees at its May 24 meeting, meaning they will automatically increase 13.16 percent.
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