Builders question proffers

Fees on new homes are pricing buyers out of market, analysis says

Sunday, Aug 05, 2007 - 12:04 AM

By CAROL HAZARD
TIMES-DISPATCH STAFF WRITER

Builders bristle at the mention of cash proffers, money paid to localities for each home they build.

They say the fees push the cost of housing higher -- and force some prospective homebuyers out of the market.

Localities say the money is needed to build and improve schools, parks, fire stations and utilities -- and who better to pay than newcomers who create the need for more services?

Now, builders have the ammo to back up their complaints.

A study by the National Association of Home Builders finds that modest increases in prices of permits, proffers and road impact fees can have dramatic affects on housing costs.

Every $819 increase paid at the beginning of construction adds $1,000 to the cost of a median-priced house, a 22 percent increase, the analysis shows.

Add $1,000 onto the price of a house in the Richmond area and 706 households would be forced out of the new-housing market, the study says. The report, which is based on median prices of homes in different areas and incomes needed to qualify, contains results for more than 300 metropolitan areas.

The median price of a new house -- with half the houses selling for more and half for less -- is $267,988 in the Richmond area, the report states.

The annual income needed to qualify for a home at that price would be $78,894, assuming good credit and a 6.25 percent mortgage interest rate, according to the report.

Nationally, each $1,000 increase in the cost of a median-priced new house of $243,300 pushes 217,000 prospective buyers from the marketplace, the report states.

"Local officials need to understand that the choices they make can greatly impact the ability of families to find decent, affordable housing," said Tyler Craddock, director of public and government affairs with the Home Building Association of Richmond.

"Increased housing costs lead to higher assessments and higher real estate taxes for everyone."

James J.L. "Jay" Stegmaier, Chesterfield County's deputy administrator, said he understands builders' concerns. Stegmaier will become county administrator Aug. 14.

"The county has worked very hard with home builders and the community as a whole to develop a system to provide infrastructure to support development," he said. "The county will continue to work on that issue."

The cash proffer for every house built in Chesterfield is $15,600, the third-highest in the area. Caroline County has the highest at $17,7632, followed by Goochland County at $16,543.

Localities with no proffers include Richmond and Henrico County.

"It was one thing when we agreed to proffers years and years ago, but counties keep changing the formula so they can get more money," said Vernon McClure, president of the Home Building Association of Richmond.

McClure is president of Main Street Homes, one of the largest builders in Chesterfield. He serves on a county advisory committee regarding a new law that allows for road impact fees.

Chesterfield is moving to impose the first impact fee in the state, he said.

"Frankly, the county already has made the decision . . . The county is quickly outpacing other areas in affordability. Teachers, firefighters and public-service workers cannot afford a new home in Chesterfield County."

The problem of rising fees is exacerbated by a slumping housing industry and a particularly soft market for new homes.

Even as builders make concessions and reduce prices, "localities continue to push forward with new fees and regulations that will further erode housing affordability," according to the study.

Home builders say no industry should be singled out to bear the costs of infrastructure. They support a broad-based revenue source to fund new and improved infrastructures.

"Growth itself generates a ton of tax revenue," said Craddock with the local home builders' association.

Localities should look at how well they are using increased revenues, he said. "Whether the state or locality pays for road improvements, everyone benefits," he said.

Craddock said he favors use of more community development authorities, where bonds are issued to pay for infrastructure improvements to an area under development. The bonds are paid off with increased tax revenues from businesses in the area.

He also favors state tax reform, so growing localities can increase their slice of revenue and not be so dependent on property taxes to fund their needs.

As it stands now, the state gets all the income tax and 4 cents of the 5-cent sales tax on every dollar, he said. "It's a much bigger question than at the board of supervisor level." Contact Carol Hazard at (804) 775-8023 or chazard@timesdispatch.com.

Go Back

News | Sports | Entertainment/Living | Shopping/Classifieds | Weather | Opinion |