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Finding money for growth

	Land Transfer Tax	Impact Fees	Adequate Public Facility Ordinance
What it is	A fee, collected at closing and paid by the seller, pegged to the price of the property. The N.C. legislature last month gave all N.C. counties permission, if county voters OK it, to impose a .4 percent land transfer tax. A similar, long-time tax, a .2 percent deed stamp tax, is uniform statewide. Half that income helps counties fund register of deeds offices, half reverts to the state. The .4 percent tax would add $800 to the $400 now collected on the sale of a $200,000 home.	An impact fee is paid by a builder for each new home when it's built. The fee is set by the local government. In some places it varies according to what's built, with different rates for apartments and single-family houses, for instance. By law, the fee must be used to help pay for the "impact" of the development, such as new schools, parks or street improvements necessary because of the development. So income from impact fees for streets in one part of town couldn't be spent on parks elsewhere in town. Sometimes the term "impact fee" is loosely used, such as for fees some developers pay under adequate public facility ordinances or fees paid for other reasons. A true impact fee is different.	Known as an APFO, it's becoming the tool of choice for local governments trying to manage the costs of growth. An APFO links government's ability to provide needed services with the growth that makes those services necessary. Different ordinances in different places work differently. Some address school capacity, others address streets and public safety services. Typically an ordinance sets a level of service considered "adequate," such schools' enrollment capacity. If a proposed development would strain facilities, the developer may choose to delay development, phase it, pay a fee or otherwise mitigate its effects. Places such as Cabarrus and Union counties, struggling with expensive school-building needs, set a fee per new home to help build schools. Union's fee is as much as $14,953 per lot. Some counties use the ordinance to slow development. Cabarrus' goal was more revenue. Stanly County's was to keep property taxes low. Homebuilders often try to portray an APFO as an impact fee, although it's different in key ways: Developers can avoid fees if they choose to slow the pace of their development, or develop in areas where facilities are "adequate."
		Depends on how high the fees are. For example, Raleigh's impact fees, which help pay for parks and	Depends on how it's applied and the amount of fees, if any. Cabarrus County, for example, adopted its ordinance in 1998, and its per-home fee has risen from $500

How much it would bring in	Mecklenburg County Finance Director Dena Diorio says a conservative projection is that a .4 percent land transfer tax would bring in approximately $45 million a year.	streets, were raised in 2006 to $1,170 per single-family home. At that level the fee was projected to bring in more than $6 million a year. A 2006 estimate from Charlotte's finance office projected that a $1,000-a-unit fee for single-family homes in Charlotte in 2007 would raise $5.9 million.	to $8,076. It now applies countywide, even inside municipalities, though it didn't at first. Since 1998 revenue has totaled $2.8 million. But with higher fees and countywide use, yearly revenue is zooming. Between 2005-06 and 2006-07 fiscal years, revenue almost tripled, to $1.4 million. Stanly County, however, has received only $13,500 since adopting its ordinance in 2004.
Which N.C. counties and cities use it	Seven northeastern N.C. counties have had permission since the 1980s to levy a 1 percent land transfer tax. They are: Camden, Chowan, Currituck, Dare, Pasquotank, Perquimans and Washington. All levy the tax but Washington County, whose voters rejected it but will vote on it again Nov. 6.	Roughly two dozen local governments charge impact fees. Among them: Fast-growing Chatham County, south of Chapel Hill, charges $2,900 per single-family home for a variety of uses. Orange County has impact fees for schools, charging $4,407 per home in Chapel Hill and Carrboro, less elsewhere. Catawba County and the city of Hickory won permission in 1987 to impose impact fees but haven't done so. About 20 N.C. municipalities -- including Raleigh, Durham, Cary, Manteo and Southern Pines -- have special legislation allowing them to levy impact fees. Most, but not all, have adopted the fees. Hickory, for instance, has permission but hasn't adopted them.	Currituck County in northeastern North Carolina was the first to adopt one, in 1994. Others include: Cabarrus County (1998) for schools; Town of Davidson (2001) for police, fire, parks, greenways and street capacity; Stanly County (2004) for schools; Union County (2006) for schools. Lincoln County is expected to adopt a similar program Aug. 20. Huntersville is considering a proposed APFO, with public hearing in September and a vote likely in October.
How to adopt it	In North Carolina no county can adopt a land transfer tax without permission from the N.C. General Assembly. Until this year, the last permission was granted in 1989, under the sponsorship of influential Sen. Marc Basnight, D-Dare. **Historical note:** In 1999 Wake County commissioners unanimously passed a 1 percent transfer fee. They called it a "fee" because counties can enact "fees" without legislative approval. Local legislators protested, and homebuilders and Realtors threatened to sue. Commissioners dropped the	As with land transfer taxes, local governments can't adopt impact fees without permission from the N.C. General Assembly, which hasn't approved any in 15 years or more. N.C. League of Municipalities' records show the last place to win impact fees was Dunn, in 1991.	A county or city can adopt the ordinance without needing permission from the N.C. legislature. A bill to prevent cities or counties from adopting APFOs without legislative permission passed the N.C. Senate but didn't pass the House.

	matter. (Had it been in effect it would have raised more than $400 million since 1999.)	2>Impact fees have been widely studied by planners and economists.	
Opponents say	Land transfer taxes can make buying a home less affordable, especially for low-income or first-time buyers. The tax revenues could fluctuate with the real estate market's ups and downs. Further, they say, land transfer taxes unfairly and disproportionately burden a narrow slice of residents unlike more broadly based property and sales taxes. Why should someone who's buying a house pay more for schools or other community needs than anyone else? The tax hinders economic development, they say, because it makes houses less affordable and, as it's paid by the seller, it strips sellers of some of their home equity.	Opponents note that impact fees don't come out of developers' profits, but are built into the cost of the housing. That means housing prices go up, which can price some first-time homebuyers out of the market and hurt efforts to increase the supply of affordable housing. Also, impact fees may encourage sprawl, as development moves to areas without the fees, which can slow home sales and retard growth in areas with the fees. Further, opponents say, impact fees aren't fair. Not all who move into new houses are newcomers, or have more schoolkids than people moving into older homes. Why should they pay more for streets or schools than anyone else?	The per-house fee (or other expenditures a developer must make) has the same effect as an impact fee, say opponents, which drives up the cost of housing. That can price first-time homebuyers out of the market. As with an impact fee, is it fair to expect some homebuyers to pay proportionately more for government services (through the higher home price caused by the APFO) when there's no way to know whether the buyer is a newcomer or long-time resident?
Proponents say	The tax helps keep county property taxes lower, because counties now have to rely on property taxes to raise the money to keep up with growth and services. Which do you prefer, they ask: A one-time fee when you buy real estate, or paying increased property taxes every year? And, they ask, which is more likely to hurt economic growth: a small fee at closing when buying a home, or overcrowded and underfunded schools? The taxes don't appear to have hindered growth or economic development where they've been used for 20 years. Four of six counties with land transfer taxes rank among the state's 20 fastest-growing counties. (Camden is second, Currituck third.) And they get credit for helping hold the tax rate down: Fast-growing Dare County's tax rate is only 26 cents per $100 valuation. The	Impact fees' effects are far more complex than a simple rise in housing prices, and their impact can differ from place to place, depending on such factors as housing demand and whether the facilities built with the fees (schools, parks, etc.) add more value than the cost of the fee itself. Sometimes the higher development cost doesn't raise housing prices, but instead lowers what developers pay for raw land. Proponents include the American Planning Association, which in a 1997 analysis said it supports impact fees if judiciously used. It found little evidence that fees stifle development. (Proponents note that impact fees in Raleigh and Orange County haven't dried up growth there.) Sometimes the fees encourage growth, the APA	The APFO links growth and infrastructure, so growth doesn't outpace capital improvements such as new schools and road capacity. The ordinances give developers a choice -- pay now, or phase your development. Because fees don't apply where facilities are adequate, they may encourage developers to turn to less rapidly growing parts of a county. The income from fees takes some pressure off property taxes.

counties with the transfer tax rank higher in per-pupil spending for their school systems, too. "If not for the land transfer tax," says Currituck County Manager Don Scanlon, "we would ... fall further behind in our school capital needs and would have had to raise our property tax."

said, if lack of infrastructure has caused development to slow. Impact fees won't "stop growth," and they shouldn't be considered a cure-all for paying for general capital improvements. But the fees, the APA said, "can be an effective tool for ensuring adequate infrastructure to accommodate growth." Some 60 percent of U.S. cities over 25,000 impose impact fees. They're so widely used elsewhere that out-of-state developers can be surprised to learn Charlotte and Mecklenburg County don't have them.

Political reality

The N.C. Association of Realtors, an influential lobbying group that donates heavily to legislative campaigns, opposes land transfer taxes with vigor. So does the influential N.C. Home Builders Association. Within hours of the idea popping up in Raleigh this year, Realtors launched a huge statewide campaign to fight it -- "Stop The N.C. Home Tax." Polls generally find land transfer taxes less popular with voters than impact fees on new houses, because anyone buying real estate -- not just a new house -- pays transfer taxes. But the taxes could potentially bring in more money than impact fees, so politicians may be more amenable. Mecklenburg County commissioners' chair Jennifer Roberts says the board isn't going to vote on the issue this year. If Mecklenburg does try to adopt it, look for heated opposition from the local real estate and development industry.

The idea of impact fees is generally popular with voters, most of whom aren't buying new houses and like the idea of holding property taxes down a bit and -- probably -- assume that developers feel the pain, not homebuyers. But the N.C. Association of Realtors and the N.C. Home Builders Association oppose impact fees, as well as land transfer taxes. So does Charlotte's influential lobbying group, the Real Estate and Building Industry Coalition. Many elected officials aren't willing to endure political pressure from developers -- who contribute heavily to City Council, county commissioner and state legislative campaigns -- to enact fees that may not bring in as much revenue as a land transfer tax would.

It has been some 15 years since the N.C. legislature OK'd any request for impact fees. Because legislative permission isn't needed for APFO's, they're becoming a growth-management tool of choice for fast-growing counties. Sometimes the business community is supportive: The Stanly County Chamber of Commerce backed Stanly's APFO. Real estate and development lobbyists -- the N.C. Home Builders Association, the N.C. Association of Realtors and in Charlotte, the Real Estate and Building Industry Coalition (REBIC) -- oppose APFOs as impact fees in disguise. Although they contend APFOs may be illegal, the N.C. Court of Appeals upheld the APFO in Currituck County. Anti-APFO forces are expected to try again to get an anti-APFO bill through the legislature. Neither the Charlotte City Council nor the Mecklenburg board of county commissioners has ever seriously considered adopting an APFO.