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## Homebuyers hit with 'hidden tax'

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 Comments (No comments posted.)

When new-homebuyers pay impact fees, the higher cost amounts to a “hidden tax” that drives up the cost of new and existing housing, according to a new study.

The Illinois Association of Realtors commissioned University of Chicago economist Don Coursey to update a 1999 study that he did on the effect of impact fees on suburban municipalities.

“We’d like to get some greater discussion going to dispel the idea that new growth does not pay its way,” said Mike Scobey, spokesman for the Realtor association, a trade group.

“They [new homebuyers] may end up paying more than their fair share. We want a fair and equitable fee policy so that housing opportunities and taxes are fair and appropriate,” Scobey said.

“In our experience, some of these fees have an arbitrariness to them going beyond what a new homeowner should be paying for,” Scobey said.

However, Mike Peddle, associate professor of public administration at Northern Illinois University in DeKalb, said it was difficult to do a perfect calculation of impact fees.

But he said most municipalities already did not put the entire cost of infrastructure improvements on new-homebuyers.

“New residents are paying for the impact of growth, but existing residents are also paying for a portion of it,” Peddle said. “Some are unfair, but impact fees are not as imbalanced as they make it seem.”

Coursey based his updated study on Sugar Grove, Huntley, Lindenhurst, Naperville, Plainfield and Poplar Grove, which impose impact fees. Machesney Park, which does not, was used as a control community in the analysis.

Impact fees are charges assessed by counties and municipalities to recover part of the cost of infrastructure improvements to roads, sewer systems, parks, schools and other public amenities.

### The study also found that:

- Impact fees have increased in the past decade.
- Costs are imposed on developers, but passed along to home-buyers.
- Fees added to housing cost inflation.
- Fees encourage developers to build more expensive homes, pricing lower-income buyers out of the market.

The study found that an average \$10,000 impact fee assessed on a \$391,000 new home during 2002-2004. But the total effect on that new home was an increased cost of \$27,000 or 7 percent.

Coursey said impact fees were not necessarily fair, and that they contributed to higher housing costs for everyone.

“There is little accountability for the [impact fee] numbers,” Coursey said. “If I come in as a developer and I am going to build retirement housing where nobody under age 25 can live there, why should I pay a school impact fee? Put in some rational numbers.”

Instead of seeing each other as adversaries, Peddle said new and existing homeowners should see their mutual advantage to finance infrastructure improvements.

“What’s the choice? A home without infrastructure and lower property values or one with necessary infrastructure to support it and therefore has the higher price,” Peddle said. “It’s not an unambiguous answer. The answer is ‘yes.’”

**More information:**

Impact fees on new homes raise the cost of all homes, according to a study available on the Illinois Association of Realtors Web site, [www.illinoisrealtor.org](http://www.illinoisrealtor.org)

## COMMENTS

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