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Cabarrus County tests whether fees will slow growth

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Cabarrus County's newly quadrupled fee for new houses could reshape growth in the Charlotte region, forcing home prices upward and pressuring other counties to adopt similar fees, experts and area officials said Tuesday.

The fee increase to \$4,034 per lot, which takes effect immediately for new projects, is the state's second-highest for school construction. It's also likely to push less expensive homes out of Cabarrus County.

But officials in places that have such fees say they haven't slowed growth.

The Fort Mill (S.C.) School District is the only other place in the Charlotte region that charges such fees, but others are considering them.

Cabarrus increased its fee Monday from \$1,008 per lot to raise millions for school construction and keep its property tax rate down.

"If you're going to come to Cabarrus County and create a problem, you're going to pay for it," said Cabarrus County commissioner Coy Privette.

Growing communities nationwide have turned to impact fees as an alternative to raising property taxes to pay for the roads, schools and parks.

But developers say the fees will raise housing prices and dry up affordable housing. The fee increase may allow developers in neighboring counties to tack more onto the price of a home and still compete with those in Cabarrus County, one expert said.

More than 28 states nationwide have given local governments the authority to implement them. About 60 percent of U.S. cities with more than 25,000 residents use some kind of impact fee, according to a 2000 Government Accountability Office survey.

In Charlotte, city and county leaders haven't shown much appetite for impact fees.

Democratic City Council member Susan Burgess said impact fees would drive up the cost of housing and work against the city's goal of affordable housing.

"What surrounding counties are learning," she said, "is that growth is expensive."

Fees could expand regionally

Cabarrus commissioners view their fees as a no-lose situation. If development continues at its current rapid pace, the fees will bring Cabarrus about \$142 million for school construction over 10 years. If development slows, the

county won't have to build as many new schools.

But local developers say the new fees in Cabarrus County could push lower-priced homes to other parts of the region.

Union and Lincoln counties are both examining programs similar to Cabarrus' but haven't decided on a fee. That pressure will likely increase now, said Union County Assistant Manager Joe Lesch.

That's because, without per-lot fees or other taxes to raise school construction money, other growing suburban counties are likely to continue to struggle to keep their property tax rates down.

In North Carolina, only Orange, Chatham and Durham counties, along with Cabarrus, charge per-lot fees for schools.

Those counties say their growth hasn't slowed. Orange County's fees top \$5,600 for single-family homes in the Chapel Hill-Carrboro school district.

Nationally, growth usually doesn't slow down in cities that adopt school impact fees, experts say. And few cities nationwide have rescinded the fees because they slowed growth too much.

"What happens almost every time is that the other counties are going to jump on board," said Jim Duncan, a nationally known consultant on impact fees.

Since 1997, the Fort Mill School District has required \$2,500 for every new home, raising more than \$10 million, said district spokesman Bob Ormseth.

"There were a lot of people who believed that the impact fee would slow down growth," he said. "It's had, anecdotally, zero impact on growth."

Driving up housing prices?

But that doesn't mean developers don't notice. Cary cut its impact fees on roads, water and sewer by 25 percent in March, from \$8,078 to \$6,098, after its growth rate slowed, said engineering director Tim Bailey. "Since we've lowered the fees, we've actually seen some increases (in development)," he said.

Per-lot fees will likely be passed on to buyers of the new homes, and home builders say it's unfair to those buyers. They also predict that higher house prices will put homeownership out of reach for low- and middle-income families.

"It will certainly drive out of Cabarrus County housing that is affordable to the average policeman, the average fireman, the average nurse, the average county employee," said Mark Cramer, executive director of the Real Estate and Building Industry Coalition, a Charlotte advocacy group.

Another problem, according to Cramer: Someone buying a \$100,000 house pays the same fee as someone buying a \$400,000 one. "It has a huge and disproportionate impact on entry-level buyers," he said.

Some say the fee could keep some developers from building in Cabarrus, especially starter homes. Ultimately, though, it will depend on the market.

"Four thousand dollars a lot, that's a huge increase," said Tom Pearson, owner of Pearson Land Co. in Charlotte. "I think it will slow down growth there for a while, at least."

Duncan, the impact fee consultant, said the fees may also increase housing prices in surrounding counties.

"If one county has an impact fee and the county right next door does not -- and they're selling the exact same house -- the builder across the line will charge the same amount, because he's going to get whatever the market can bear," Duncan said.

Martin Cramton, Charlotte's recently retired top planner, agreed housing prices may rise. But he sees no alternative because of the cost of adding services to keep up with growth.

"People can say they ought to just raise the property tax," he said. "Well, that's just not going to happen."

The fee has other risks. Durham County, which approved its fees in September 2003 without General Assembly approval, is facing a lawsuit from builders.

Cabarrus County, which has collected its per-lot fees for nearly six years, received legislative approval only this summer. Developers are already questioning whether that authority was specific enough, and attorney Jim Scarbrough, who frequently represents developers, expects the county will be sued.

Northern California is widely known for having the nation's highest fees. In Pleasanton, about 40 miles east of San Francisco, developers pay up to \$80,000 per home for parks, schools, public buildings and other needs. The fee for new schools alone is \$5 per square foot, or \$12,500 for a 2,500-square-foot house.

Officials there say the fees haven't stopped growth, but they have boosted new home prices.

Franklin, a Tennessee suburb just south of Nashville, charges \$1 per square foot for schools, on top of other fees, said City Administrator Jay Johnson.

"We're still one of the fastest-growing counties in Tennessee," he said.

School Fees

Per-lot charges on single-family homes to help build new schools:

ORANGE COUNTY: \$5,600 for Chapel Hill-Carrboro City Schools; \$3,000 for county schools.

CABARRUS COUNTY: \$4,034.

DURHAM COUNTY: \$2,000.

CHATHAM COUNTY: \$1,500.

FORT MILL (S.C.) SCHOOL DISTRICT: \$2,500.

National average impact fee for schools: \$4,354.

(excluding California): \$2,779.

SOURCES: Duncan Associates, counties, Fort Mill School District.

Staff Writer Howie Paul Hartnett contributed.

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