

Carroll County Times

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Slumping, sluggish, sinking, sliding housing market

By Bryan Schutt, Times Staff Writer

Carroll County's housing industry is hurting. Residential housing permits, revenues, sales — all have dropped like mercury in winter.

The question is whether this is solely because of the economy or if it was partially initiated by the county's deferral on growth in 2003.

The sluggish housing market affects revenue for the county, jobs for people inside and outside the housing market and financial security for the average homeowner. Developers argue that the deferral increased home prices because of tight supply and restricted growth during a boom.

And while signs of hope remain — interest rates are at a historic low and there's a plethora of houses on the market — the economy hasn't recovered yet, economists warn.

But developers are looking toward the future. After all, the economy has been known to bounce back.

Building permits and revenue

Carroll County exploded with growth during the early 2000s. The county was approving an average of about 1,500 building permits per year from 2001 to 2003.

But in fiscal years 2007 and 2008, new building permits have ground to a fifth of that, with 379 and 268 permits issued, respectively.

In the 2003 fiscal year, the county's concurrency management report estimated about \$191 million in the value of residential construction in the county. During the 2008 fiscal year, the report estimated slightly more than \$44 million in the value of construction.

Ted Zaleski, director of the Department of Management and Budget, said residential growth has a direct effect on the county's budget.

The county gets revenue from permits issued, which in the peak building years was around \$1 million. But for fiscal year 2009, the county budgeted for about \$500,000. The county also gets impact fees from residential growth. Impact fees peaked in fiscal year 2002 with \$6.8 million in revenue. In the fiscal year 2008, the county only received \$1.4 million in impact fee revenue. More indirectly, the county also sees an influx of revenue from housing growth in recordation taxes, property tax and income tax. In fiscal year 2006, recordation revenue peaked at \$22.8 million but in the 2009 fiscal year the county budgeted \$15 million.

The money from these revenue streams has a direct impact on what the county can provide in its budget.



Ken Koons/Staff Photo
Workers build a house in the Clover Meadow subdivision at the corner of Md. 91 and Deer Park Road.

In 1998, the county enacted a Concurrency Management Ordinance to ensure residential development did not overwhelm public facilities such as schools, roads and emergency services.

However, the ordinance wasn't effective, and in 2003, the county issued a deferral on residential development, halting certain projects to allow time to make revisions to the ordinance. The county adopted a new set of regulations in 2004 and the deferral was lifted.

Steve Horn, the county's planning director, said that although the housing market has bottomed out now, the county wouldn't have changed the timing of the deferral.

"You really can't deal with the unknown. You have to deal with what you know at the time," he said. "We knew the pace of growth was impacting our efforts of putting in the necessary infrastructure.

"That was the fact of the matter. At the time, with the board's effort to fix that problem, taking 12 months was a necessary step," Horn said.

'Backside of a building boom'

Matt Helminiak said he's never seen anything like the housing boom of the early 2000s nor the slowdown experienced in recent years.

For Helminiak's family business, Carroll Insulation Co. Inc. in Eldersburg, the deferral decreased the business's workload in the county dramatically during the 12 months it was in effect and several months following.

He said the company's workload in Carroll was reduced from 35 percent prior to the deferral to 10 percent afterward.

Helminiak said the recent push to lower energy costs has benefited the insulation industry, though, and Carroll Insulation, which has existed since 1970, stays busy working on existing homes.

"There's no work in new houses because there are no new homes," Helminiak said.

Helminiak said he understands the slowed growth.

"We're on the backside of a building boom," Helminiak said. "You can't have growth like the county did because in 20 years new homes would cost like \$2 million."

He said houses usually increase in value 5 percent to 7 percent per year.

Because the deferral restricted the supply of new houses entering the market, Helminiak said it increased the value of homes. Although that sounds good, he said that unless a family is selling their house, they're really just paying more taxes.

"[The deferral] ended up hurting people in unexpected ways," Helminiak said.

Bill Boettner, president of William Douglas Homes, a homebuilder in Eldersburg, said his company was steadily building in Carroll County throughout the 1990s and early 2000s until the county stomped on the brakes.

"Now we build in Anne Arundel and Howard [counties] because it's stopped up here," Boettner said. "It's difficult finding land here, but there's pretty good growth in other areas."

He said about 50 percent of William Douglas' business took place in Carroll before talk of the deferral, and the company didn't build at all in Carroll in 2003 and 2004.

And with the lack of housing demand lately, he was forced to slash overhead and halve his staff in 2007, which reduced the company to the people the business can't function without, he said.

"We're in a bad spell right now. It's a very down market," Boettner said.

But he said the market is cyclical. It'll rise, so William Douglas Homes has started some projects in Carroll County again.

"In the early 2000s, lots dried up in Carroll County," Boettner said. "We liked building here when the going was good, the county was easy to work with and we were seeing good demand for housing."

Necessary change

Four houses are under construction at the Clover Meadow subdivision in Finksburg.

Phil Pickett, owner of Deer Park Builders, and Robin Ford, owner of Robin Ford Building and Remodeling Inc. in Hampstead, purchased the project last July from Jim Kohler of Kohler Development Corp.

Ford said he and Pickett believed purchasing the Clover Meadow subdivision was worth the risk.

"We will wade our way through this," Ford said.

Clover Meadow was one of the projects that were caught in the deferral. Although Kohler sued the county, the project was processed under the new regulations.

Kohler believes the changes the county made were necessary, and things are better for developers.

"In total, I think it is better," he said. "I think it's important to have consistent regulations for a developer to know up front what's expected of them."

Ford said his business slowed during the deferral, but he also said the changes were necessary.

"I think it makes sense," he said. "It was very difficult for [the county] to judge growth. It was tough to get a good count of what was being built."

Pickett said that although the deferral slowed his business, it improved the market, too.

"In a way, the deferral made the market better," Pickett said. "People that had [building] lots could get a little more money for them because the supply [decreased]."

Now, Pickett is optimistic.

"I think the market will be back after next year," he said.

Staff writer Beth Ward contributed to this article.

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Building permit drop-off

- Fiscal year 2002: 1,674 permits issued
- Fiscal year 2003: 1,346 permits issued
- Fiscal year 2004: 997 permits issued
- Fiscal year 2005: 1,066 permits issued
- Fiscal year 2006: 800 permits issued
- Fiscal year 2007: 379 permits issued
- Fiscal year 2008: 268 permits issued

Value of residential construction drop-off

- Fiscal year 2003: \$190,825,073

- Fiscal year 2004: \$128,558,034

- Fiscal year 2005: \$115,225,319

- Fiscal year 2006: \$118,010,277

- Fiscal year 2007: \$57,139,475*

- Fiscal year 2008: \$44,182,176

**2007 value doesn't include 13 permits from the Mount Airy area*

Source: Carroll County Government Building Permit Fiscal Year Report