

## Cost-driven Concerns: Builders say excessive regulations have priced some families out of the housing market

*Housing starts drop nearly 50 percent in Springfield and Greene County, complicating the affordability issue*

By Jeremy Elwood - 1/28/2008

Springfield Business Journal Staff

Ed Alden understands firsthand the difficulties that local home builders and developers face.

Alden, vice president of construction for Stenger Homes, is among the developers fighting rising building costs caused by ever-increasing governmental regulations.

"Regulatory fees have the most impact on builders," Alden said. "There are fees for planned developments, fees for final platting and all sorts of regulatory fees that developers have to go through. All of those fees impact the cost of the lots, which we have to pass on to the builder, who then has to pass it on to the end user who purchases those homes."

The Home Builders Association of Greater Springfield is dealing with the same problems at a regional level. The association's 2008 legislative agenda spells out several issues from which it's trying to protect its member companies.

All the items on the agenda, however, are traced back to one issue: housing affordability.

"Part of our mission statement is that we fight to protect the American dream of homeownership," said Rusty MacLachlan, president-elect of the HBA's Board of Directors and president of the state association. "That is a dream that is going away for a lot of people."

He pointed to the fact that for every \$1,000 increase in the median home costs, more than 400 Springfield-area families can no longer afford a home. The median new home price in Springfield, according to the National Association of Home Builders, is \$170,471, meaning that about \$50,000 in household income is needed to qualify for the median new home.

### The impact of fees

A particular type of regulatory fee – the impact fee – is one of the biggest issues faced by the HBA. Sometimes called user fees or hookup fees, impact fees are designed to cover the expense of infrastructure needed for new homes by assessing a fee on the home construction.

MacLachlan said while impact fees sound like a good idea, they do more harm than good, mostly in slowing development.

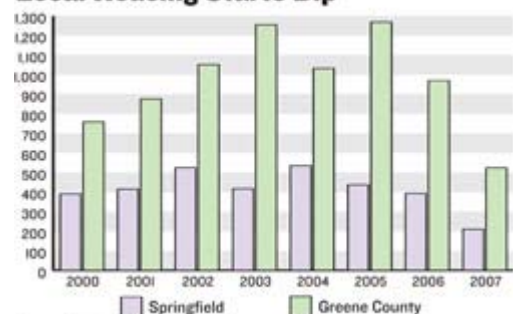
While Springfield doesn't have impact fees, both Nixa and Ozark implemented fees in recent years. MacLachlan notes, however, that although cities may budget for a specific number of housing starts, multiplied by the impact fees, actual fees brought in may fall short when housing starts decline, and the cities will still need to figure out how to come up with the money.

In the city of Nixa, which instituted impact fees in January 2007, permit numbers through November show 146 housing starts for 2007, down from 261 in 2006, representing a 44 percent decrease

Nixa City Administrator Brian Bingle, however, said it's not appropriate to correlate impact fees to a drop in housing starts.

"To suggest that impact fees was the cause of that, that's a little bit misleading," Bingle said, noting that market saturation and economic issues such as the fallout from the subprime mortgage market probably play a much bigger role in the recent downturn. "Impact fees may be one reason, but they're not the primary reason."

**Local Housing Starts Dip**



Sources: City of Springfield, Greene County

Still, MacLachlan argues that fewer home starts mean cities have to increase fees, which make homes more expensive to build, creating a costly cycle.

"In southern California, up-front costs before you can break ground run from \$10,000 to \$30,000," McLachlan said. "I don't think we want to see southwest Missouri turn into the next southern California because of impact fees."

The problem, according to 2008 HBA President Kevin Clingan, is compounded by the fact that the market itself is slowing.

According to data from the city of Springfield, housing starts dropped 47 percent in 2007 compared to 2006. Data from Greene County shows there were 210 housing starts in 2007, down from 393 in 2006. Data from Greene County also shows a downturn of 46 percent for the same period.

"We're getting where most of my drywallers and painters can't (personally) afford any new home that's being built. That bothers me," Clingan said. "The reality is that if you're not flirting with \$100,000 a year (in income), you can't afford much of a home anymore."

Alden said that builders are not against all fees – just fees that are excessive.

"We're not anti-fees – we just want to make sure that the money is going to the appropriate fund and doesn't choke the growth of the construction industry in southwest Missouri," he said.

HBA recommends special financing or assessment districts, focused heavy development areas, rather than impact fees assessed to all new construction to pay for infrastructure improvements.

Tax increment financing districts, for example, would assess additional property or sales taxes on developments within the district without impacting others in the community.

### **Building codes**

The association also is against building codes that try to set regulations on the state or national level, even though when national codes are adopted, localities can opt out of certain aspects.

The reason: Construction techniques that work well in one part of the country – or even in one part of the state – may not be applicable in other areas.

"There was a (national) building code (discussed) a while back that said driveways couldn't have more than 10 percent slope – a 30-foot setback couldn't have more than 3 feet of slope," Clingan said. "That works great in Kansas, but it would eliminate a lot of lots here."

Again, MacLachlan said the result is increased costs – many lots, he said, would not be able to hold a home that met the code requirements, making developable land more scarce and more expensive.

Clingan said the HBA is not against building codes in principle – they add to safety of new homes and level the playing field for builders. He points to Christian County, which implemented building codes in August.

"We were tickled to death to see Christian County get building codes – they were a long time overdue," Clingan said. "I didn't like bidding on too many houses in Nixa years ago, because I knew someone could probably underbid me – they'd use PVC pipe instead of copper, they could use 2x6's instead of 2x8's or even 2x10's. There was no oversight over anything."

HBA supports legislation that would allow third-class counties to adopt their own building codes, saying local building codes are more appropriate for each area due to the differences in building techniques from place to place.

The association also is concerned about growth management plans at the city or county levels.

Greene County's recently proposed Comprehensive Land Use Plan, for example, would set aside certain land for agricultural use, ensuring that it would not be developed for residential or business use.

HBA maintains that such plans make developable land more scarce, driving up property costs that are then passed on to the

home builder – and, ultimately, the buyer.

The association recommends that counties and cities use infrastructure to guide residential development.

#### **Where the Local Home Builders Association Stands On ...**

- Impact fees – HBA says impact fees are an unfair approach to infrastructure funding and have a negative effect on affordability. The association prefers special financing or taxing districts for new development areas.
- Statewide building codes and licensing – HBA says state-level licensing and code lists take away local control and add to costs.
- Immigration policy – HBA opposes state-level immigration policies, including laws that hold general contractors responsible for workers they don't directly employ.
- Growth management/land use plans – HBA says growth boundaries restrict the amount of developable land and raise land prices, making homes less affordable. The association recommends that cities and counties use infrastructure investment to encourage growth patterns.
- Green building codes – HBA supports voluntary, market-driven green building standards but opposes government mandates. The association says voluntary use of green practices encourages competition among groups offering green products and services, helping to keep costs down.

*Source: 2008 HBA of Greater Springfield Legislative & Policy Agenda*