



5 Creekside Park Court  
Suite A  
Greenville, South Carolina 29615  
864.254.0133  
[www.hbaofgreenville.com](http://www.hbaofgreenville.com)

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## Position Statement – Development Impact Fees

A Development Impact Fee is a charge imposed on new development for the purpose of generating tax revenue in order to offset the impact that development will impact on local government's capital facilities. Builders and developers pay a share of the impact their development has on the community's public facilities; however, the fees are ultimately paid by the purchaser of new construction.

### **Statement of Position**

The Home Builders Association of Greenville believes that funding of improvements to capital improvements must be equitably distributed among all parties that have an impact on capital facilities. In other words, all parties that impact capital facilities should pay their fair share of the cost of improving capital facilities so that level of service is maintained as development increases demand on the community's capital facilities. Therefore, the Home Builders Association of Greenville supports the South Carolina Development Impact Fee Act of 1999. Our association also agrees that where development has an impact on community capital facilities, development should pay its share of improvements required to support new development. Our research indicates that in most cases new development already pays its fair share.

### **Discussion**

Impact fees are not necessarily the answer and require education in a number of areas:

- 1) Impact fees have a substantial effect on affordable housing because the fee is uniformly applied to all residential housing, whether the new home price is \$100,000 or \$750,000. These fees when attached to the price of a new home disproportionately affect affordable housing and families least likely to be able to afford the additional cost. Typically those affected will be young families and minorities, which are two of the fastest growing home buying segments of the population.
- 2) Impact fees, imposed on builder/developers and passed on to the home buyers, are typically at a higher rate than the original fee due to development costs often being calculated as a percentage of other costs. Finance charges, brokerage commissions and other fees will ultimately have an affect on the final cost paid by home buyers.
- 3) Impact fees when added to the purchase price of a new home are ultimately three-times the original fee due to the present value of the impact fee over a 30-year mortgage.

- 4) Existing residents benefit from the expanded services funded by new development; however, do not bear any portion on the cost burden. In addition, home buyers moving into the area and purchasing existing homes, not new construction, realize the benefits without the cost burden associated with expanding public services.
- 5) The collection of impact fees can contribute to sprawl due to generally pushing development outward into areas not collecting impact fees.
- 6) Impact fees raise the price of new homes, putting pressure on the appraisal prices of existing homes, thus affecting the housing market as a whole.
- 7) Impact fees cannot be used to maintain existing infrastructure and public facilities. A common misconception about the fees is that they can be used anywhere; however, state and federal law requires the fees to be applied to identified specific service areas.
- 8) Impact fees when added to the price of a lot increases by a significant multiple upon completion of a home. In addition, they will have a disproportionate effect on lower cost housing.

Impact fee proponents usually assert that residential development does not pay for itself; however, this assertion simply is not true. An NAHB study (*The Metro Area Impact of Home Building in Greenville County South Carolina – Comparing Costs to Revenue for Local Governments*) of the Greenville single and multiple family housing markets in 2007 shows a positive impact on the cost of public services necessary to support housing in Greenville County. Single family home construction had the ability to pay for itself within four years, while the combination of single and multifamily construction could accomplish this task within three years. The study shows by the end of year fifteen, the operating surplus in Greenville County from development would equate to an estimated \$178.0 million dollars.

Not only will residential development pay for itself, it will help offset many unassociated costs within a short period of time, like supporting existing development that does not pay for itself, thus avoiding the need for property tax increases on existing residences. Finally, commercial development typically follows residential development, and few would dispute the tax benefit of commercial development for the community.

For additional information, please contact the HBA of Greenville at 864-254-0133.

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