



## ISSUE SUMMARY

### Impact Fees - Bad Public Policy

#### I. What is an impact fee?

- An impact fee is a flat dollar fee (tax) charged to the developer for new development (i.e., \$1,920 per lot or home, regardless of sales price). While the fee is charged to the builder it is included in the cost of the new development and ultimately paid for by the homebuyer. Rock Hill is considering adopting three impact fees that total \$1,920 on new homes and could add over \$100,000 to large commercial/industrial projects.

#### II. The Real Estate and Building Industry Coalition strongly opposes impact fees because they:

- Are unreliable sources of funding that are dependent on economic cycles;
- State law and Federal case law cause impact fees to be complicated and difficult to administer legally and fairly;
- Because impact fees are so complicated, they are expensive to administer and the cost of administration is born largely with the general tax revenue (the city cannot use impact fees to fund administrative costs);
- If done legally, impact fees do not generate adequate income to fund infrastructure needs, and can erode support for necessary bond issues;
- Hinder economic development efforts and make Rock Hill and York County less competitive;
- Are grossly unfair for current residents of York County that are served through the Rock Hill utility department and who are only moving within this service area;
- Discriminate against new homebuyers, when public infrastructure is everyone's responsibility;
- Make homes less affordable, especially for entry level buyers, and are regressive; and
- Will essentially be imposed on many people that live outside of Rock Hill and who are therefore disenfranchised from the Rock Hill political system.

#### III. Why Impact Fees are Bad Public Policy in Rock Hill and York County

- **Broad Based Taxes More Equitable.** Rock Hill and York County have a history of financing infrastructure needs through broad-based taxes, the burden of which is shared by large segments of the population. The community is served by a number of governmental-operated utility departments and other public services, and the community as a whole utilizes and benefits from these public services. It is fundamentally unfair to say that those who move into the community next year place a greater strain on these services than someone who moved into the community last year or 15 years ago, and that a newcomer next year should pay a *special tax* for the privilege of joining the rest of us who were lucky enough to have already moved to Rock Hill and York County.

- **Revenues are Unreliable.** Tax revenues generated by impact fees are largely dependent upon economic cycles, and thus will fluctuate over time and are not stable sources of revenue. This makes it difficult to use those revenues to fund bond issues or to cash flow infrastructure development projects, as opposed to revenues generated by property taxes, a sales tax, or utility rates.
- **Other Revenues Will Continue to be Necessary.** Even extremely high impact fees could not come close to meeting many communities' needs for infrastructure development, and thus bond issues would continue to be necessary. This dual funding scheme could erode public accountability and understanding of infrastructure funding requirements, which could further erode support for bonds in the future.
- **Rock Hill and York County Will Become Less Competitive.** The higher cost of new and existing housing resulting from impact fees would make our area less attractive for industrial recruitment because the availability of quality affordable housing is often a very important factor in site selection decisions. In addition, driving homebuyers to more-affordable adjoining counties would reduce opportunities for an area's existing retailers, lenders, and service providers in many business sectors.
- **Impact Fees Contribute to Sprawl.** Because Rock Hill will be made less competitive with impact fees, and adjoining areas will become more competitive, impact fees will contribute to sprawl as development leapfrogs to other counties. Sprawl also will contribute to increased infrastructure costs for roads and other needs to accommodate commuters traveling to Rock Hill to work and shop.
- **Industrial Prospects Will By-Pass Rock Hill and York County.** The higher cost of locating an industrial operation in Rock Hill and York County would negatively impact our ability to recruit industry and would make us less competitive with other counties in South Carolina and the Charlotte area.
- **Future Residential and Non-Residential Tax Revenues Could Suffer.** Because residential growth and industrial growth would jump to more competitive areas, Rock Hill's prospects for adding to its tax base will be seriously affected by the implementation of impact fees.
- **Impact Fees Grossly Unfair to Current Residents.** Not only are these taxes inequitable to newcomers, they would grossly penalize the many buyers of new or existing homes who currently live in Rock Hill and the utility service area. How do those current residents place any more of a strain on public services than they do already?
- **Entry Level and all Other Homes Become Less Affordable.** Low-to-moderate income and first-time homebuyers who attempt to purchase a home from a builder or through public low income housing programs could pay an impact fee greater than their down payment. Many homebuyers could be forced out of the market for new or existing homes by impact fees. Affordability is already an acute problem in Rock Hill and York County, and these fees would only make that problem worse.

- **Impact Fees are Regressive.** For example, if an impact fee of \$2,000 were applied to all lots regardless of price, size or location, the following would result. Using the \$2,000 as the impact fee, simple arithmetic tells us this fee is 2% of a \$100,000 home. If the home is a \$200,000 home, the fee is only 1%; or half of the financial impact on the homebuyer. Is it fair for someone who can only afford a \$100,000 home to have to pay twice in fees, relatively, than the owner of a \$200,000 home?
- **Does the Plan Comply with State Law?** The impact fee for additional fire service does not appear to meet the legal requirement that capital expenditures must serve the needs of those that are charged the fee. In fact, none of the fees establish boundaries or service area that insure that only those who have an impact on a capital service will be required to pay the capital expenditure.
- **Imposing Impact Fees Will Negatively Impact Intergovernmental Relations.** The current water agreement between Rock Hill and Fort Mill states that an additional agreement would be developed if it becomes necessary to construct additional capital facilities to meet Fort Mill's demand. Rock Hill is attempting to impose these costs on Fort Mill as opposed to negotiating a solution that is mutually agreeable. In addition, Rock Hill either has, or is attempting to negotiate, long-term agreements with York County and the City of York that will be impacted by the implementation of impact fees. The Rock Hill City Council, by unilaterally imposing these additional taxes on persons living outside of Rock Hill, will help foster a political environment of distrust and resentment among elected officials and the York County citizenry towards Rock Hill.
- **Negative Impact on Efforts to Create a Unified Utility System.** Many elected officials have expressed an interest in creating a unified utility system. The implementation of impact fees by Rock Hill will force other York County utility providers to seek partnerships with outside utility systems that can inter-connect with existing systems at a competitive price.
- **Impact Fees are at Odds with Rock Hill's Re-development Efforts.** Rock Hill is expending a tremendous amount of effort and resources to re-develop the Old Town area. Imposing additional costs on re-development could stifle these efforts and drive development dollars away from downtown and into areas of the county that are less expensive to develop.
- **Impact Fees are at Odds with Rock Hill's Effort to Create a Unified Community.** Rock Hill is heralded as a national model for developing a common community vision and it's work to create a strong, vibrant community. The hallmark of true community is joint effort toward a common goal, but the principle of "each pays for his own" is the antithesis of community.