The Impact of Increased Development Fees on Existing Housing: Evidence from South Carolina

Sean Brunson  
UNC Charlotte

Richard Buttimer  
UNC Charlotte

Craig Depken  
UNC Charlotte

Steve Swidler  
Lafayette College
Research Question

In July 2018, Fort Mill (SC) school district raises impact fee for new single-family housing from $2,500 to $18,158 and for multi-family units from $2,500 to $12,020/unit.

What happened to single-family housing in Fort Mill School District?

Upshots:

- Prices of new housing increased
- Prices of existing housing decreased
- No change in weekly changes in listings/sales
- Monthly inventory increased
During a town-hall meeting in support of raising impact fees:

"That's gonna just raise the property value of all those houses as they get built, and so it's actually gonna raise my property value, which is a good thing for me," Knol said. "If it slows the growth a little, so we can catch up, like with the roads, that's a win too, I think."
Motivation
Motivation

Number of permits per 10,000 Fort Mill, SC residents

Fort Mill town
South Carolina average
Previous Literature

Traditional view: impact fees increase cost of construction, reduce quality of new construction, reduce value of undeveloped land, increase price of existing housing.

New view: impact fees reduce price of new housing because of lower quality but this is offset by new amenities – no net impact on new housing prices – existing house prices increase because of amenity effects.
Our Hypothesis

Is it likely that the increased impact fees will cover the costs of new amenities?

If impact fee is set too low or possible growth is exhausted and amenities have not been completed, existing housing must be taxed.

History shows that the previous impact fee was set too low – can future impact fees be raised much higher? If not, then expected tax burden on existing housing increases which is expected to lower prices today.
Empirical Strategy

Use Multiple Listing Service data from York County (SC) and Mecklenburg County (NC) from 2010-2018

Estimate hedonic Diff-in-Diff-in-Diff model to test for impact of passage of tax increases and collection of higher taxes on existing and new housing in Fort Mill school district

Investigate asking price, closing price, weekly listings/sales, monthly inventory
Empirical Strategy

Critical Dates:

Fort Mill school district passes $2,500 impact fee on Aug 24, 2015
Fort Mill school district collects $2,500 impact fee on Oct 1, 2015

Fort Mill school district passes $18,158 impact fee on Jun 28, 2018
York County passes increased impact fee on Jul 16, 2018
Fort Mill school district collects $18,158 impact fee on Aug 13, 2018

Fort Mill school district includes cities of Fort Mill and Tega Cay
Empirical Strategy
Empirical Strategy

Hedonics: $\log(\text{sqft})$, $\log(\text{lotsize})$, full baths, half baths, bedrooms, age, age squared, near water, near golf course, on public water, new construction

Neighborhood characteristics: city and county identifiers

Timing characteristics: year, month, day, day of week listed/sold

Fees: list/sale date occurs after passage/collection of first/second fee

$N=123,181$ combined, $15,999$ in York County (2010-2018)
Empirical Results: Two County Sample

-0.112 -0.126
0.051 0.058

-0.165 -0.178
0.047 0.044
Empirical Results: York County Sample

-0.044 -0.053
0.051 0.040

-0.110 -0.133
0.069 0.072
Empirical Results: York County Weekly Listings & Sales
Empirical Results: Changes in Monthly Inventory
Conclusions

Impact fees correspond with

• Higher prices of new houses in FM school district
• Lower prices of existing houses in FM school district
• No impact on new weekly FM school district listings/sales
• Monthly inventory increases in FM school district after each fee hurdle

• Expected net tax burden is capitalized in new houses (impact fee exceeds amenity value) and existing houses (impact fee too low to finance amenities)