

# 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



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# 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**



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# Research Question

**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."**

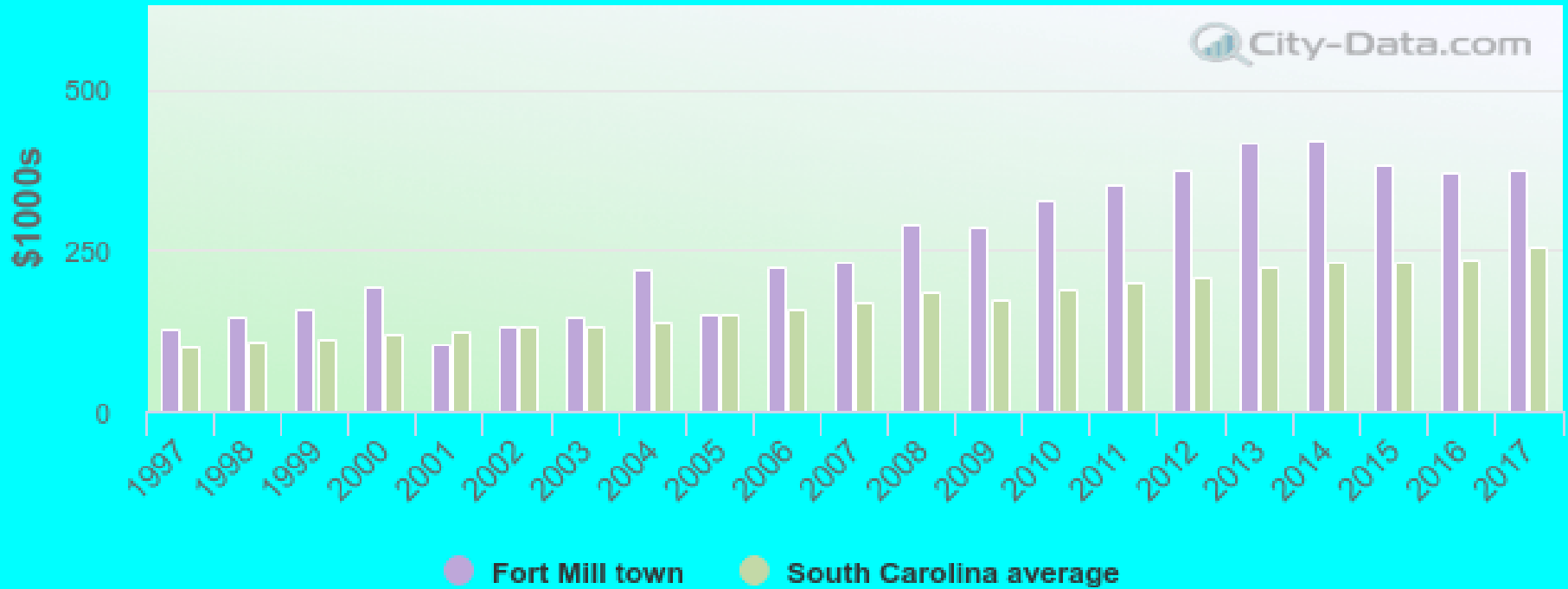


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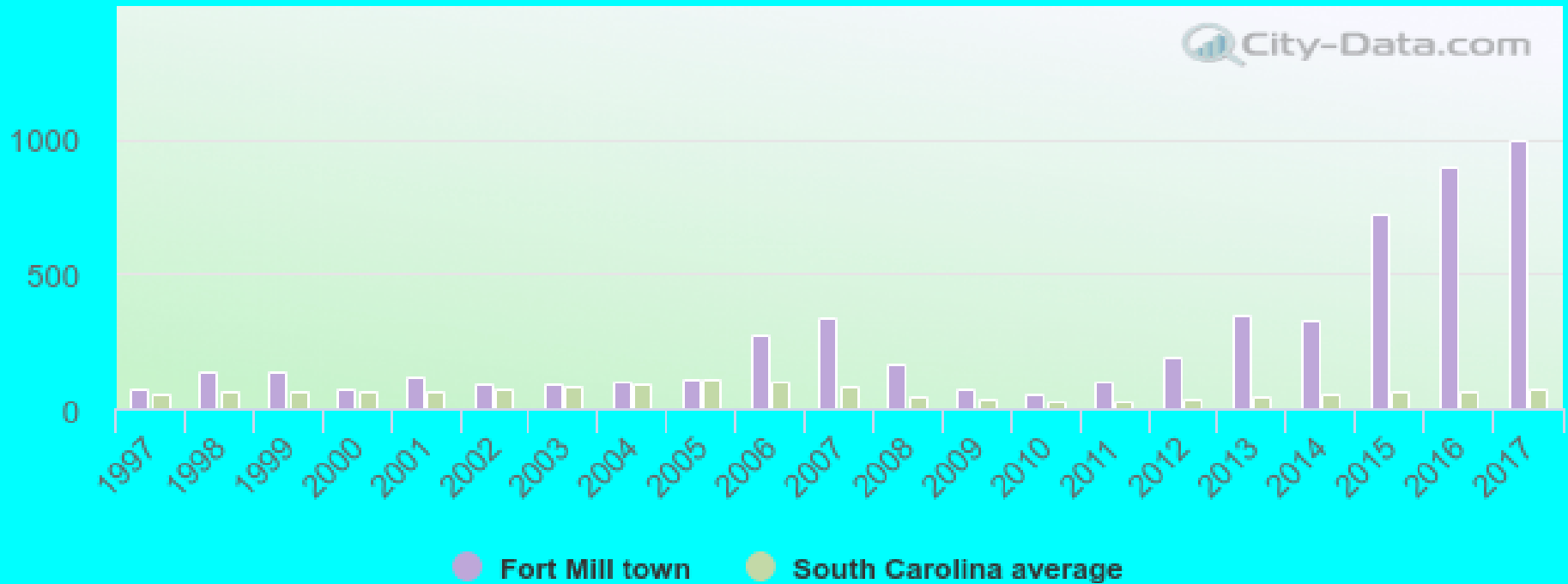
# Motivation

## Average permit cost in Fort Mill, SC



# Motivation

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



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# 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.**



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# 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.**



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# 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**



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# 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**



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# Empirical Strategy



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# Empirical Strategy

**Hedonics: log(sqft), log(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**

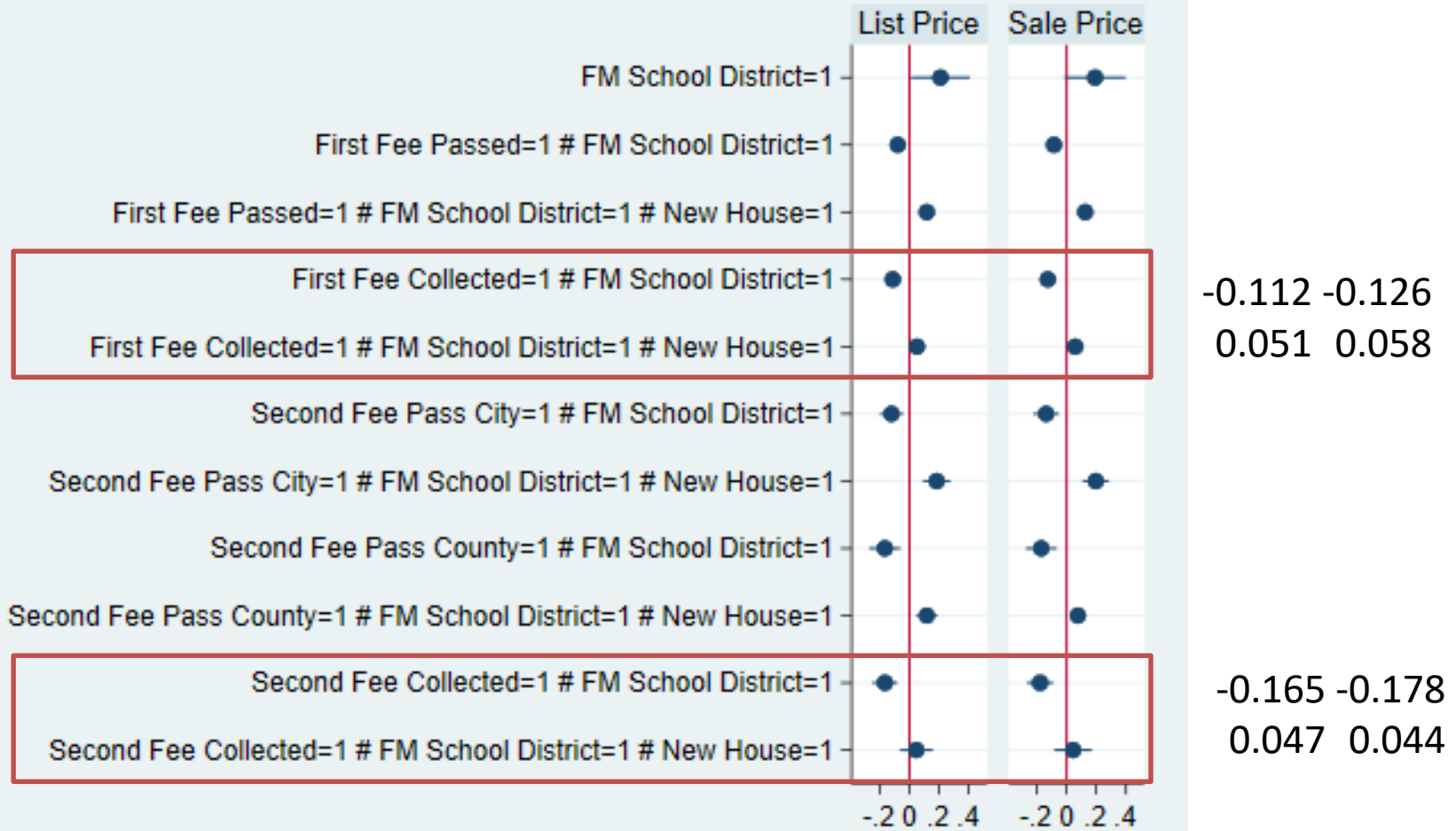
**N=123,181 combined, 15,999 in York County (2010-2018)**



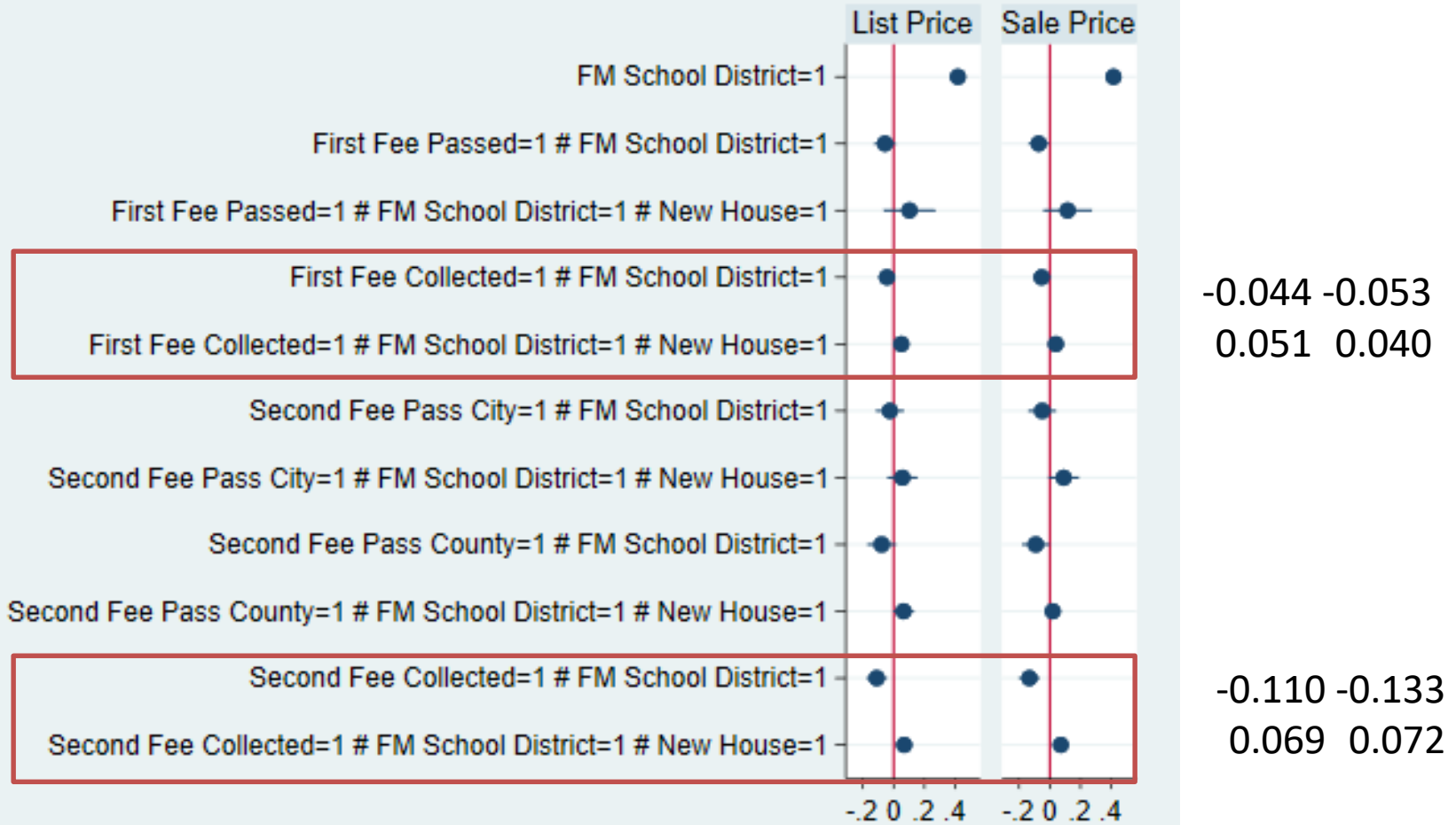
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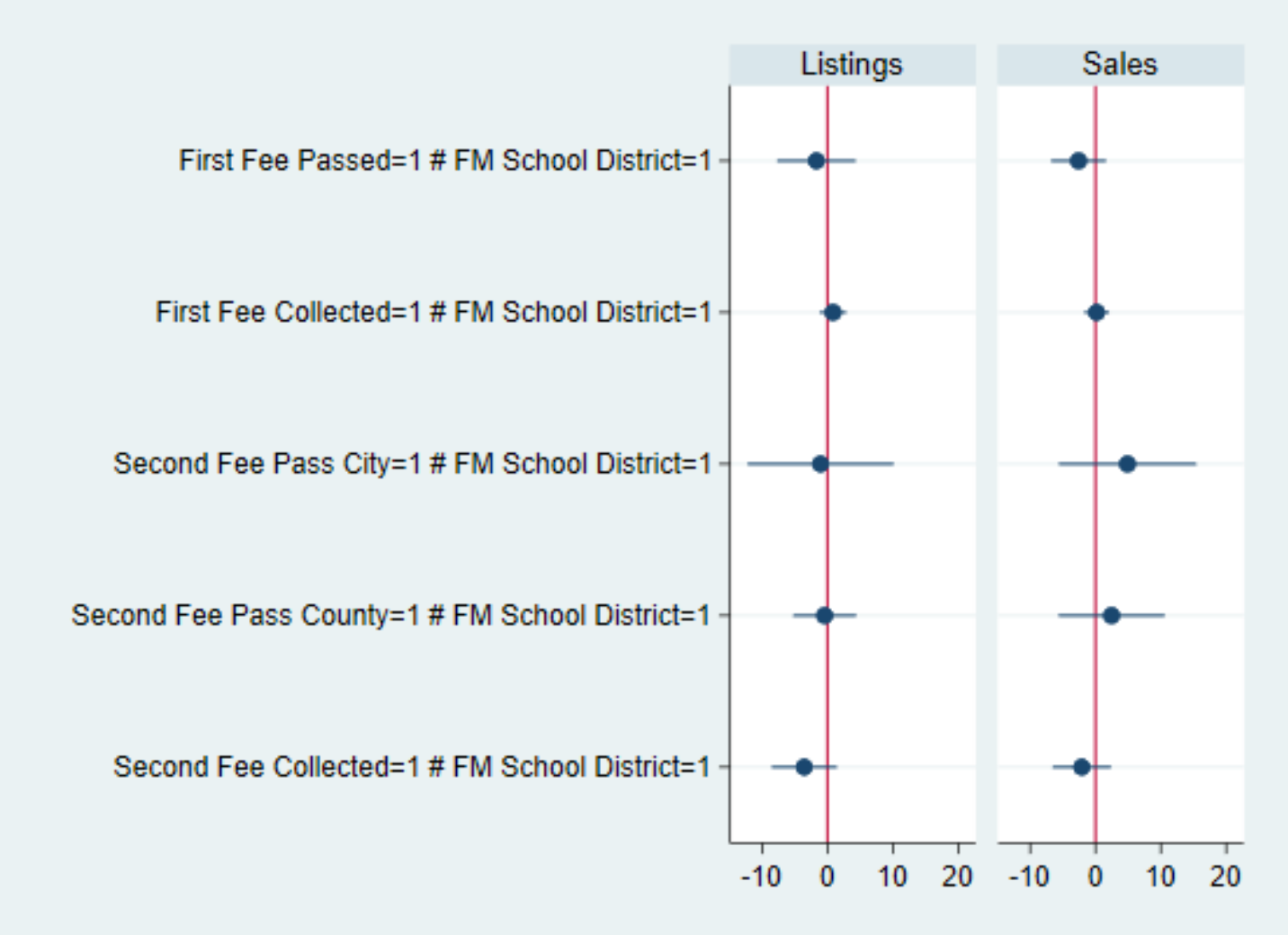
# Empirical Results: Two County Sample



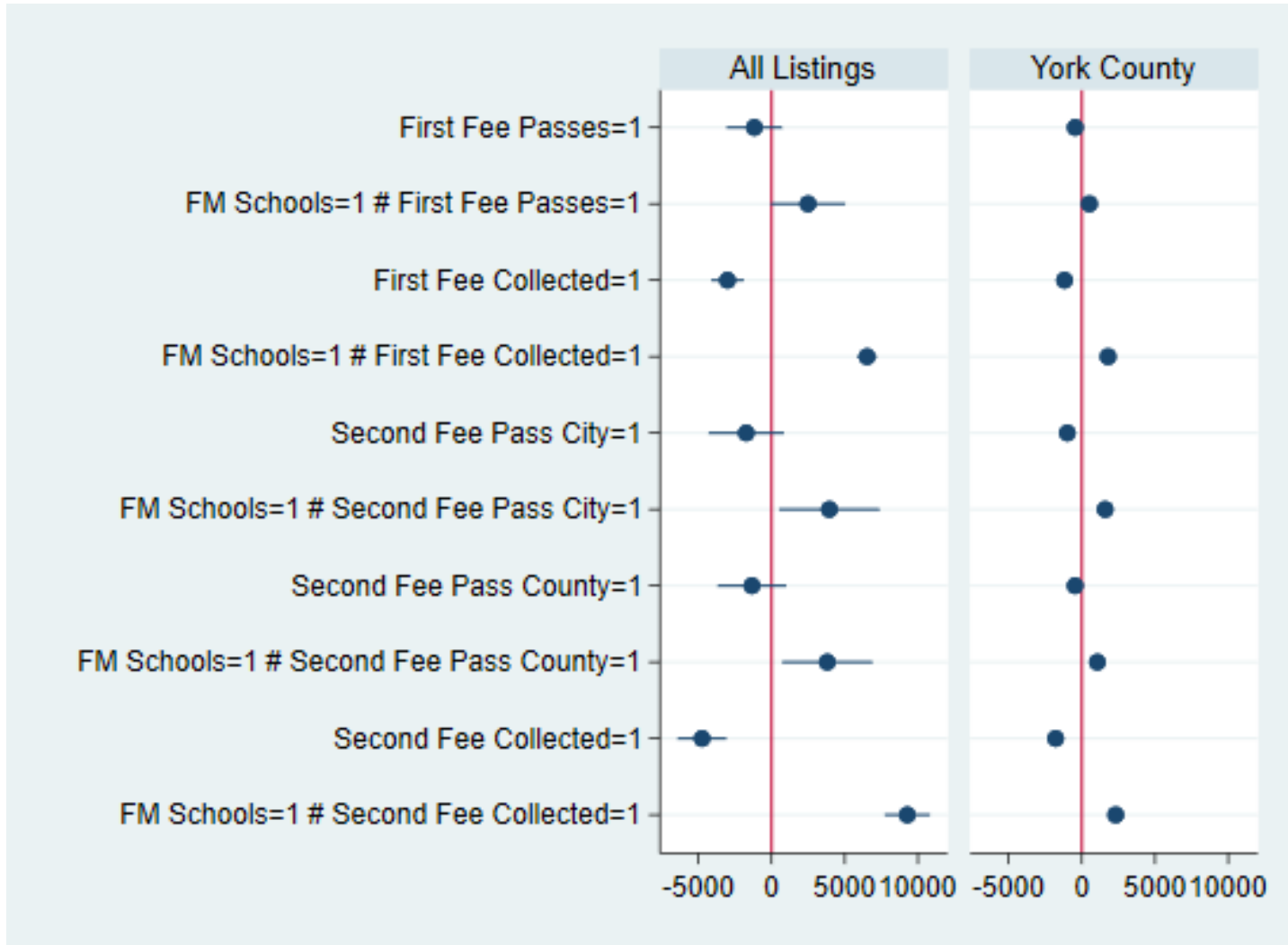
# Empirical Results: York County Sample



# 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)**



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