



*Tyler Craddock
Director of Public & Government Affairs*

November 9, 2006

Louisa County Planning Commission
P.O. Box 160
Louisa, VA 23093

Dear Chairman Barlow and Members of the Commission,

I apologize that an out-of-state business trip prevents my joining you in person this evening as you consider the institution of cash proffer taxes and the creation of two new zoning districts for Louisa County.

On behalf of the over 550 member firms of the Home Building Association of Richmond, I urge you to vote against cash proffer taxes and to consider some changes to the zoning district proposals before you.

The cash proffer is based on a perception that residential development does not “pay its own way” to local governments who are charged with the responsibility to provide and maintain public infrastructure. The truth is that new residential development increases property values, which will lead to higher assessments and **increased** revenues for Louisa County.

It is important to be clear and specific about what a cash proffer actually is. In economic terms, a cash proffer is nothing more than a tax on new homes. Higher cash proffers not only place a special tax on new home buyers; they also drive up the cost of all housing. Enacting cash proffers in Louisa County will result in decreased housing affordability for current and future citizens.

The proposed cash proffer amount of \$4,362 will have a much larger impact on housing prices than the amount of the tax itself. Because the cost of cash proffer taxes are normally borne by the builder at the time of building permit issuance, but ultimately paid by the buyer as a part of the purchase price, there are carrying costs that inflate the effect of the cash proffer tax on the final purchase price paid by the consumer. The National Association of Home Builders has estimated that factor be approximately 1.25. Thus, on average, a cash proffer tax of \$4,362 can be expected to add over \$5,450 to the final purchase price. In addition, most buyers will normally roll this amount into their mortgage. On a 30-year mortgage at 6.30%, that translates to additional interest payments

that total almost \$6,700 over the life of the loan. As such, what begins as a \$4,362 cash proffer tax ends up costing the consumer over \$12,000.

It is wrong to single out one industry to pay for an entire community's needs. In addition, a fair number of the families paying this tax may be current Louisa County residents who decide to purchase a new home and have already paid taxes on their current home. These are families who do not add additional impact to public facilities. Conversely, someone who moves in from outside the County and purchases an existing home would pay nothing even though they would be adding service demand to public facilities.

We have concerns about the methodology used to determine the cash proffer tax amount that staff will be asked to extract from developers applying for rezoning. It appears that many of the CIP items included in the calculation are actually replacement items, and as such, they are inappropriate for inclusion in the cash proffer tax calculation. The included CIP items should only be those that are growth-related. In other words, the result of the expenditure should be to expand capacity at the existing level of service. To do anything else would be a very questionable practice.

With regard to the proposed Transitional Residential (TR) and Rural Estate (RE) Districts, we are generally supportive of their intent, and we applaud you for taking steps to provide additional housing opportunities outside of the County's designated growth areas. With that said, there are a few items in the Transitional Residential (TR) District that raise concern.

First, there should not be a lot number limit. Our suggestion would be to set an appropriate density (such as .5 du/ac) so that parcels of various sizes are developed in a consistent manner.

In addition, the affordable housing density bonus should be increased. Based on our experience in other localities, the bonus density for 3 affordable units should be about 5 bonus units. Also, you should consider increasing the income threshold to 100% of area median income since this would encompass more folks in the "workforce housing" designation, which is generally understood to be about 80-100% of area median income.

Thank you for the opportunity to comment on the proposals before you. Please let me know if I may provide further information to you. Our industry looks forward to working with you in the months and years ahead.

Sincerely,



Tyler Craddock
Director of Public and Government Affairs