



Home Builders Association of the Sioux Empire 2019 Local Government Affairs Issues Statement

When new homes are built in the Sioux Empire, new jobs are created and substantial tax revenue is generated. Based on 2018 building permits, the economic impact of building 1,175 single-family homes/townhomes in the Sioux Falls MSA generated over \$251 million in local income, \$21 million in taxes and other revenue for local governments, and 3,912 local jobs.

The ability of local governments to respond effectively to the challenge of growth is of vital interest to future homebuyers and our community. It is our belief that affordable housing provides significant benefits to the local community through jobs, community pride and increased tax revenue for local governments.

Development/Building Fees: Financing of off-site projects or infrastructure needs that service a large part of the community, should be done utilizing a broad-based funding approach rather than through impact fees, which increase the cost of new housing and development. According to the National Association of Home Builders, every fee and mandate, no matter how necessary or desirable, adds approximately 10 percent collectively to the price of a home. Because cost recovery fees, platting fees and other regulations have significantly added to the cost of a new home in Sioux Falls by more than \$9,000, HBASE opposes the implementation of additional fees that further increase the cost of new housing and development.

Infrastructure Financing: Constructing new infrastructure in a timely manner is necessary to keep pace with the current and future demand for housing and is critical to the overall economic prosperity of the Sioux Empire. Communities should utilize broad based approaches to fund infrastructure. Capital Improvement Plans (CIPs) help prioritize infrastructure improvements while ensuring efficient use of public funds. Before a formal CIP is presented for public review, HBASE encourages collaboration with the building industry, Chamber, school districts, and the public. HBASE supports the funding of these infrastructure priorities:

- Restored funding to the arterial street improvement program based on the Alternative Financing Committee's recommendation and the Sioux Falls City Council's adoption of ordinances 116-08, 115-08, 114-08, 154-08 as approved by the City Council on September 15, 2008. As presented, arterial streets were to be funded with 2nd penny sales tax revenue at a rate equal to \$10 million in 2012, \$10.5 million in 2013 and \$11 million in 2014. The 2018 City Budget allocates \$8.9 million for arterial street improvements and \$3.4 million for the major street reconstruction program.
- Increased CIP project funding for infrastructure at a level equal to or greater than the rate of inflation.
- Increased construction funding of drainage projects and BMP devices to alleviate the backlog of projects.

Stormwater Regulations: Implementation of storm water regulations at the federal, state, and local levels should be balanced and take into consideration the overall economic impact of any policy. Enforcement of sediment and erosion control regulations should be based more on ensuring that best practices are followed and less on paperwork compliance. The impact of stormwater regulations in Sioux Falls adds approximately \$500 - \$1,000 to the cost of a new house.

Building Codes: Building codes and standards should assure the safety and health of building occupants using the most cost effective requirements and guidelines. In each code development cycle, there are a myriad of code changes proposed at the national level that would, if approved, significantly increase the cost of constructing new homes and reduce housing affordability. Many are not based on sound technical data and/or are not cost effective. HBASE encourages local code amendments when new regulations and standards add significant costs to the construction of homes.

Land Development/Planning Process: Planning and zoning officials should have an understanding of the economic factors and community issues that impact builders and the development process. The development approval process should be clear and consistent; a process that is organized, complete, thorough and designed to be completed on a timely basis. HBASE supports the Shape Sioux Falls 2035 Comprehensive Plan as a guide to develop future ordinances, budgets, and master plans. HBASE also supports “Shape Places” which is a context based zoning ordinance and updates the city’s existing 1983 zoning ordinance.

Fire Sprinklers: With changes in residential construction technology, improved building code requirements, as well as consumer behavior and the concerted efforts of fire fighters, home builders and other safety advocates, the number of fatal fires has dropped dramatically in the last 20 years. This trend is continuing and the decline is even more impressive given the growth in population and housing stock. According to a 2006 United States Fire Association Study, 88 percent of the fatal fires in single-family homes occurred where there were no working smoke alarms. HBASE is opposed to regulations that mandate residential fire sprinklers in new one and two-family homes. Such mandates have an unreasonable impact on housing cost. It is estimated that mandating residential fire sprinklers in single-family homes would add a minimum of \$6,000 to the cost of an entry-level home in the Sioux Empire.

Property Tax Increases: Property tax collection is a primary method of funding and maintaining the quality of infrastructure, schools, and public safety. Annual increases in property taxes are both necessary and expected to keep pace with inflation over time. When rapid adjustments to property tax rates occur, an inequitable financial burden is often carried by newly constructed single family homes, multi-family dwellings, and investment real estate properties. Furthermore, when increases are not equitable in comparison to previous tax years, a reduction occurs in real estate investment in our local economy. The HBASE opposes rapid increases in order to protect and preserve the financial health of homeowners, renters, and real estate investors.