

# STATE LAW, LOCAL FINANCES, AND HOUSING AFFORDABILITY

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THE UNEVEN EFFECTS OF FLAT FEES

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University of Virginia – February 19, 2025

## COUNTY TO SHEETZ: \$23,420 FEE FOR MANUFACTURED HOME



Source: Fox News, 2024

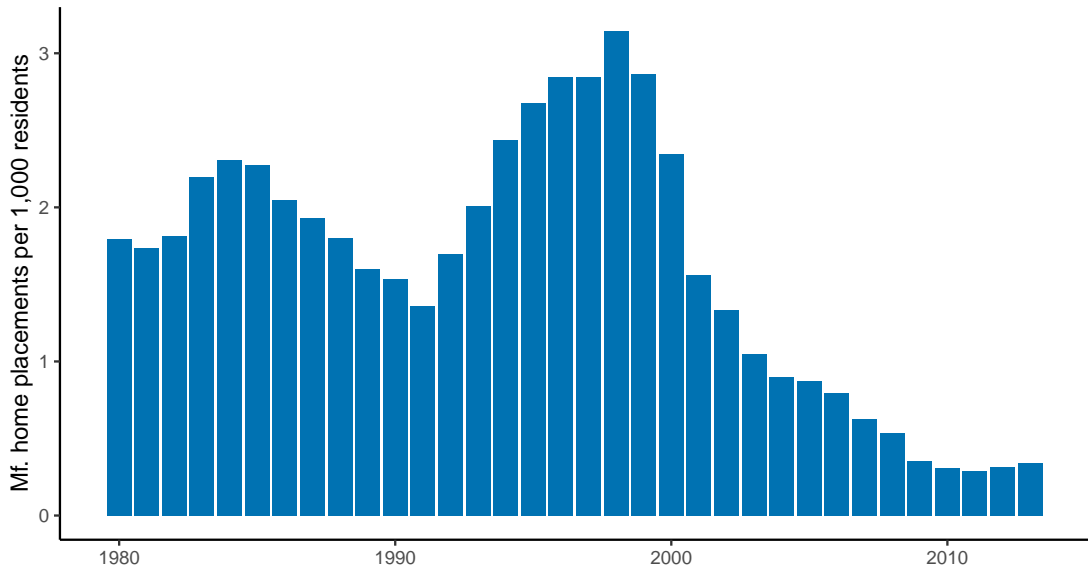
## EL DORADO CO'S TRAFFIC FEE SCHEDULE

### FEE ZONE NUMBER 6

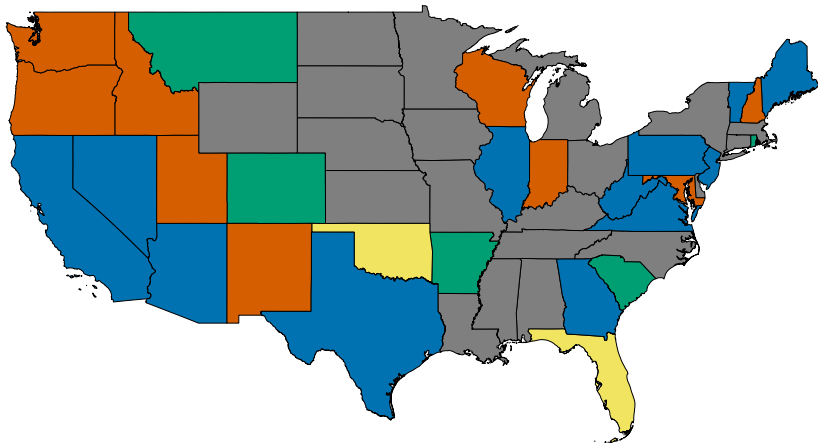
PROJECT	HIGHWAY 50 COMPONENT	LOCAL ROAD COMPONENT	FEE TOTAL
Single-family Residential	\$ 2,260.00	\$ 21,160.00	\$ 23,420.00
Multi-family Residential	\$ 1,480.00	\$ 13,760.00	\$ 15,240.00
Single-family Age Restricted Residential	N/A	N/A	N/A
Multi-family Age Restricted Residential	N/A	N/A	N/A

Zone 6: rural + mountainous  $\Rightarrow$  high fees for local roads

## WHAT HAPPENED TO MANUFACTURED HOUSING?



## STATES THAT “ENABLED” IMPACT FEES



Year of enabling act   ■ (1985,1990]   ■ (1990,1995]   ■ (1995,2005]   ■ (2005,2015]   ■ No act by 2015

## FEES ARE MORE COMMON IN STATES WITH ENABLING ACTS

Dependent Variable: Model:	Municipalities with Fees (%)	
	(1)	(2)
<i>Variables</i>		
1{Has Enabling Act}	10.3*** (1.7)	12.3** (4.5)
<i>Fixed-effects</i>		
Census Division		Yes
<i>Fit statistics</i>		
Observations	2,657	2,657
Dependent variable mean	75.198	75.198
<i>Signif. Codes: ***: 0.01, **: 0.05, *: 0.1</i>		

## THIS PAPER

**How much does state law affect **local land use policy**?**

**Did impact fee legislation **accelerate the decline** of manufactured housing?**

## A TIMELINE OF IMPACT FEES

1970s: **emergence of impact fees** as cousin of utility connection fees and in-kind land dedications

- imposed under police power + governed by case law

1980s: states pass “fee enabling acts” to **clarify the legal status** of impact fees, generally on behalf of local govts (Leitner and Schoettle, 1993)

1990s: landmark Supreme Court cases establish “essential nexus” and “rough proportionality” criteria (Nollan v. California Coastal Comm’n, 1987; Dolan v. City of Tigard, 1994)



## MECHANISM

construction + installation of mfh homes is 30-65% cheaper than site-built per square foot  
(Herbert et al., 2023)

finished lot (land + fees) is large share of total cost: lowers mfh discount to 20-50%

per-unit fee raises the relative price of mfh homes  $\Rightarrow$  buyers substitute to higher-quality or exit  
(Alchian and Allen, 1964)  
 $\Rightarrow$  look at effects on levels and shares

## DATA

### **Survey of Manufactured Homes (Census)**

by state, 1980-2013:

- total placements (quantity) and average sales price

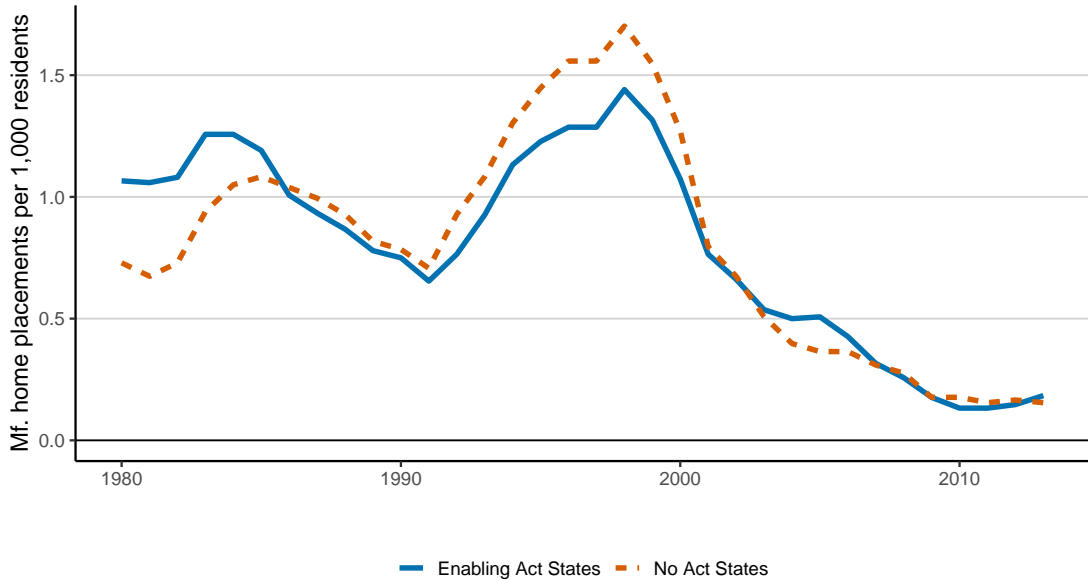
### **Annual Survey of Governments (Census)**

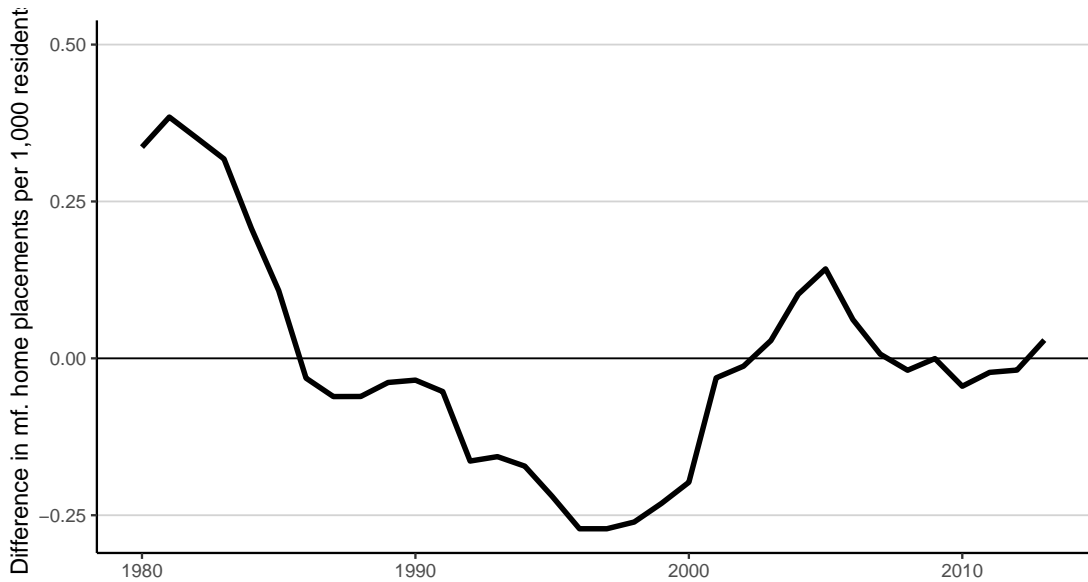
by jurisdiction, 1980-2012:

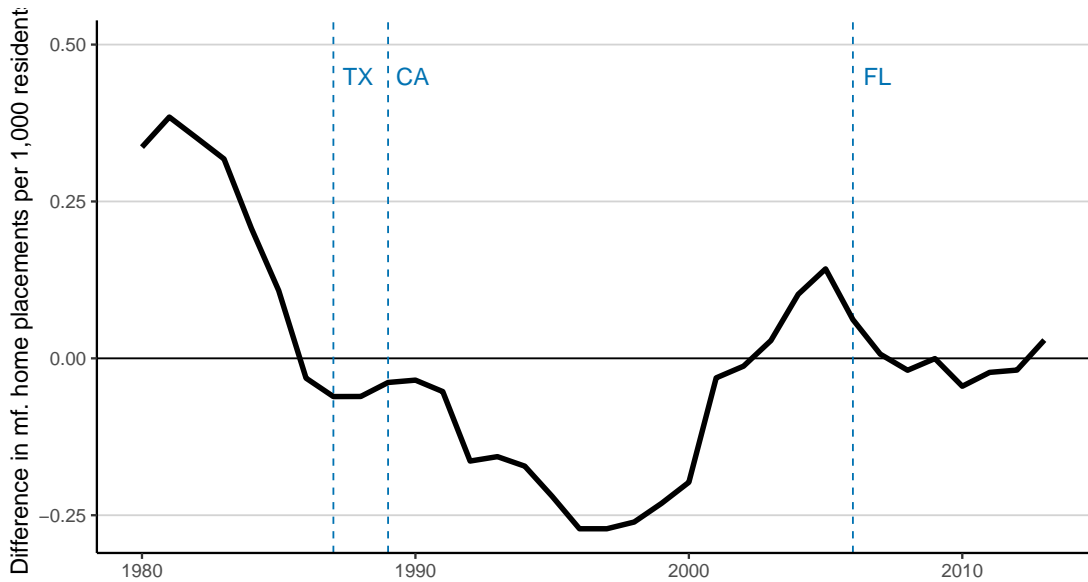
- impact fee (and special assessment) revenue
- unbalanced panel  $\Rightarrow$  restrict to cities surveyed every year, then aggregate

Limitations:

- don't observe purchase price of mfh home + lot
- state aggregates
- can't isolate fee revenues







## EMPIRICAL STRATEGY

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Leverage staggered adoption with **dynamic DiD**:

$$y_{st} = \sum_{j \neq -1} \beta_j \mathbf{1}\{t - t_s^* = j\} + \gamma_s + \delta_t + \epsilon_{st},$$

where for state  $s$  in year  $t$ ,

- $t_s^*$  is the year of adoption
- $\gamma_s, \delta_t$  are state and year fixed effects

Cluster standard errors by state; weight by state population in 1980

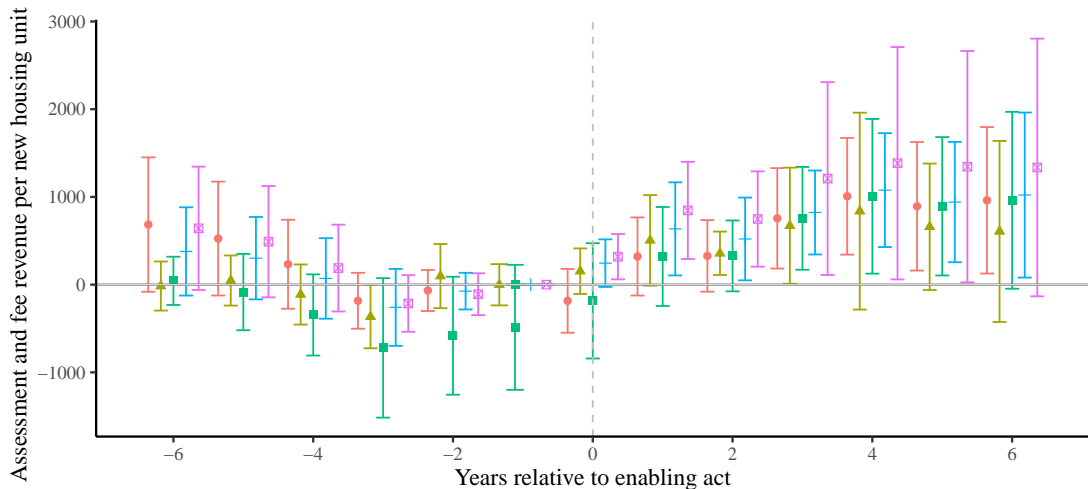
Results hold with heterogeneity-robust estimators: Callaway and Sant'Anna (2021); Gardner (2022); Sun and Abraham (2021); Borusyak, Jaravel, and Spiess (2024)

## RESULTS

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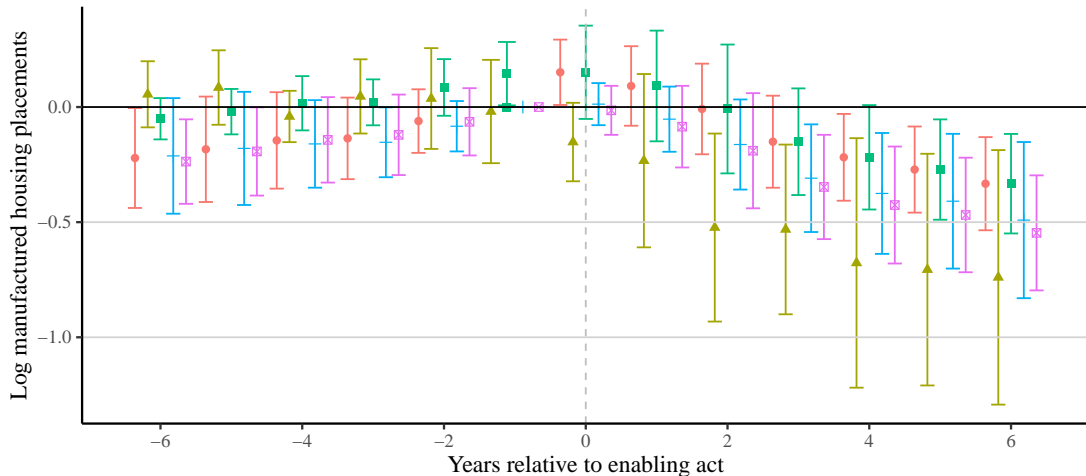


## ENABLING ACTS BOOST REVENUE FROM FEES



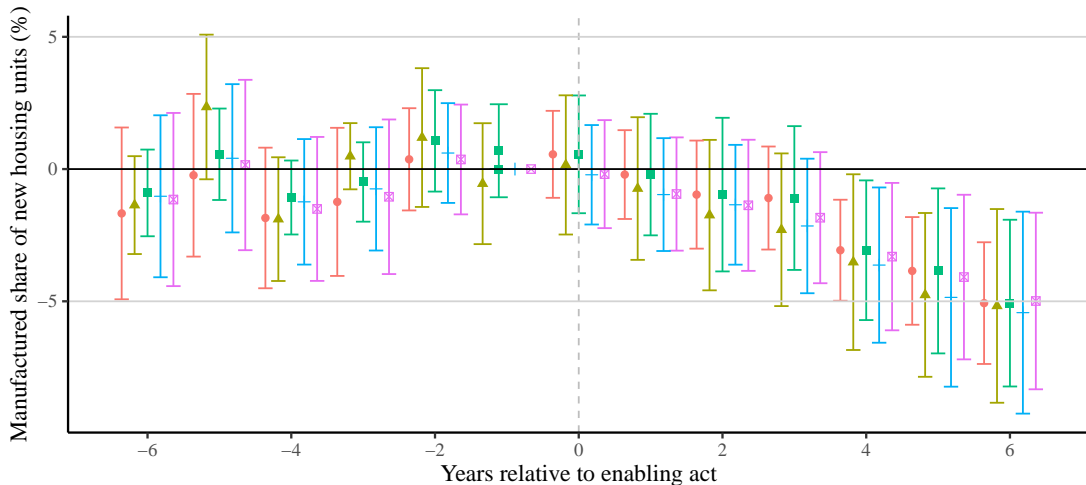
- Borusyak, Jaraval, Spiess (2024)
- ▲ Callaway and Sant'Anna (2021)
- Gardner (2022)
- + Sun and Abraham (2021)
- ⊠ TWFE

## ENABLING ACTS REDUCE **LEVEL** OF MFH PLACEMENTS



- Borusyak, Jaraval, Spiess (2024)
- Callaway and Sant'Anna (2021)
- Gardner (2022)
- Sun and Abraham (2021)
- TWFE

## ENABLING ACTS REDUCE SHARE OF MFH PLACEMENTS



- Borusyak, Jaraval, Spiess (2024)
- Callaway and Sant'Anna (2021)
- Gardner (2022)
- Sun and Abraham (2021)
- TWFE

## NEXT STEPS

### What role does financing play?

- lower prices for mfh are misleading: lenders face little competition  $\Rightarrow$  higher interest rates (Doerr and Fuster, 2024)

### Heterogeneity by **owned vs rented land** (*CoreLogic*)

- 70% of mfh homes placed on homeowner's land (Genz, 2001)
- owner must pay or finance fee
- if renting, landlord pays fee and passes on to tenant  $\Rightarrow$  access to finance less important

### Tax salience? (Chetty et al., 2009)

- developers generally pay fee and pass on to buyer
- mfh buyers more likely to own land, pay fee directly (recall Mr. Sheetz)

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THANK YOU!

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COMMENTS WELCOME: [chv7bg@virginia.edu](mailto:chv7bg@virginia.edu)

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