Miscellany

Impact Fees Boost California House Prices Up by $18,000

The price of a typical new California home includes over $18,000 in impact fees, utility charges, and land dedication costs, according to a survey taken by the National Association of Home Builders (NAHB).

Impact fees, which were initiated in California in the 1970s, have increased in four years (1983 through 1987) from $1,715 to $4,268 for typical new single-family homes, NAHB says. When building fees, utility fees, and other charges are added, the fees have increased in four years from $5,792 to $11,807 for a typical house.

In addition to those fees, the cost of land dedications and reservations is now $6,819 per single family house, NAHB says. The survey, which compiled information supplied by 203 California home builders, did not gauge how much this figure had increased in the last four years.

The land dedications, or fees in lieu thereof, are often required of developers to provide land for parks, schools, and other facilities. Impact fees help pay for schools, roads, and other capital expenses made necessary by new development.

Average Fees Per Typical Housing Unit in California

	1983	1987
Development Fees/Charges	$1,715	$4,268
Building Fees	839	1,786
Bond, Escrow, Letter of Credit	962	784
Fees or Charges for Water Service	582	1,262
Fees or Charges for Sanitary Sewer Service	614	1,634
Fees or Charges for Storm Sewer	304	500
Fees or Charges for Electric Utilities	460	798
Fees or Charges for Gas Service	316	775
TOTAL	**$5,792**	**$11,807**

Fees Per Average California Unit of Land Dedication or Fees in Lieu of Dedications

Parks	$1,010
Schools	2,638
Recreation Facilities	537
Fire Stations	302
Police	302
Library	292
Other Public Facilities	1,738
TOTAL	**$6,819**

Source: NAHB

Impact on Affordability

Concerns have often been expressed that impact fees and other charges may raise housing prices beyond the levels of affordability. Critics noted that the fees are generally passed directly to consumers of new houses, and that the increased price of new houses indirectly raises the value of all housing (see "Understanding Impact Fees," NEB, July 1988).

The specific effect on affordability is often hard to determine, however, because impact fees are highest where the real estate markets are hottest, and house prices have already been driven up by demand. The median home purchased in California today (new and existing) costs $144,392, and carries a monthly mortgage payment of $1,116, according to the California Association of Realtors (CAR). To meet that mortgage, a household income of at least $44,654 is required. CAR estimates that 69 percent of the families in California would not qualify for a mortgage that large if they were buying homes today.

By comparison, CAR says the median home price nationally is $84,400, and 50 percent of families nationwide would be able to qualify for a typical mortgage.

Elsewhere in the U.S. ...

A recent survey by the Real Estate Research Corporation (RERC) indicates that impact fees are gaining popularity in other parts of the country as well. After sampling 43 communities from all regions of the country, RERC, a private real estate consulting and valuation firm, reports that 72 percent of the jurisdictions surveyed require developers to help defray the costs of upgrading community resources. Virtually all of the communities not now levying fees are considering them, according to RERC. ■

— Steve Carlson

Survey Shows Affluent Buyers Want Plush Baths

One item home buyers with money want to spend it on is luxury in the bathroom, according to research done by McGraw-Hill/LSI Systems, Inc., and reported in a recent issue of NAHB's *Nation's Building News*. Since 1980, the average number of bathrooms for single-family detached housing has increased from 2.0 to 2.3. Also, more houses are now being designed with a master suite with expanded bathroom.

Not only are there more bathrooms, but more is being spent on them. Most buyers want double lavatories in their master-suite bathrooms. His and her fixtures (separate shower stalls and tubs) — even entirely separate bathrooms with the addition of a urinal in one and a bidet in the other — are also becoming popular. In high-end houses, baths for each bedroom and separate guest bathrooms for men and women are not unheard of.

According to industry observers, there is an upward trend in sales of top-of-the-line fixtures — oversize tubs, custom colors, and jetted tubs, for example.

According to LSI, one-piece molded plastic sink and countertop units have climbed 10 percent since 1980. China bowls have also increased, while cast-iron bowls have decreased. Cast iron tubs have declined to 14 percent of the market, while plastic bathtubs, primarily fiberglass and acrylic, has grown to 51 percent of all tubs produced. About 50 percent of these units are the one-piece tub and wall-surround combination. Whirlpool tubs now account for 17.2 percent of the total, up 6.5 percent from two years ago. Oversize tubs, over six feet in length, jumped from 8.16 percent to 17 percent in the same period.

The most popular manufactured shower stall is the site-fabricated type with 75 percent of the market. One-piece plastic and metal stalls are often used in moderately priced houses. On the high end, ceramic tile is preferred for showers and tub surrounds.

For the fourth straight year, LSI reports that the average number of toilets per single-family detached house has increased. ■

His and her bathrooms are all the rage in high-end houses. For those who can't afford that luxury, but would like a taste, there's the "Space-Saver" medicine cabinet. As the photos show, the cabinet's double-hinged two-handle door allows placement of one medicine cabinet behind the other. Besides accommodating personalized his and her medicine cabinets, it can also be used with safety in mind by adding a lock to one cabinet storing medicine, while leaving the other cabinet accessible. For more information on the cabinet, contact Padeh Inc., 12921 Sycamore Street, No. 52, Garden Grove, CA 92641; 714/897-9674.

If You Were To Choose...

If You Were To Choose a New Kitchen Countertop, Which Would You Select?

Material	Consumers Polled
Plastic Laminate	38.3%
Man-made Solid Material	31.5%
Ceramic Tile	20.6%
Wood Butcherblock	13.1%
Real Marble	2.7%
Real Granite	1.2%
Stainless Steel	0.5%

Source: The above question was part of a survey of 400-plus consumers, conducted and reported by Kitchen and Bath Business, *September 1987.*

Tax Talk:

Win/Win Plans for Employee Fringe Benefits

by Irving Blackman

Big companies usually offer a number of benefits and allow employees to select the ones they want. This is often called a "cafeteria plan," because the employee can shop for benefits from an assortment. Because this type of system benefits both the employer and employee, it's a win/win approach. Recently, closely-held businesses have begun to take advantage of cafeteria plans.

The key is salary reduction. This is how it works: Joan earns $2,000 per month. Her employer installs a cafeteria plan that pays $200 a month in benefits. Joan's W2 income is reduced to $1,800 per month. The $2,400 annual salary reduction is not subject to either income or social-security taxes. The employer saves more on payroll tax costs than the cost to install and administer the plan.

There are three plan benefits that closely-held companies tend to offer: premium conversion, health care expenses, and child care expenses. The last two are reimbursement plans.

Premium conversions. Many employers require employees to pay part of the costs of employer sponsored health care benefits. The employee's cost is taken out of salary on an after-tax basis. The plan allows the employees to pay their share of the costs through salary reduction. Thus the costs for health premium dollars are "converted" into before-tax dollars.

Health care expenses. These are medical expenses that may be claimed for federal income tax purposes and for which the employee has not been reimbursed by insurance.

Dependent child care. These plans are limited to $2,500 for one child and $5,000 for two or more children under age 15. Parents who use cafeteria plans to pay for their dependent care expenses cannot also take advantage of the child care income tax credit.

How do the reimbursement plans work ? Each employee estimates his personal non-reimbursed health care and child care expenses for the plan year. The employee then signs an agreement to reduce his or her salary by that amount for the plan year. Every payday, the amount of the salary reduction is placed in that employee's reimbursement account. As covered expenses are incurred and paid, the employee files a claim for reimbursement out of his reimbursement account. ■

Irving Blackman, CPA, J. D., is with Blackman, Kallick, Bartelstein, Chicago, Ill. He specializes in closely-held businesses. For more information on cafeteria plans, send for Cafeteria Plans… A Win/Win Employee Fringe Benefit, *($23) to Book Division, Blackman, Kallick, Bartelstein, 300 South Riverside Plaza, Chicago, IL 60606.*

N.Y. Builders Must Warranty Their Work

Starting March 1, 1989, builders in New York State will have to provide warranties to new home buyers: one year for defective workmanship and materials, two years for defective mechanical systems, and six years for major structural defects.

The state's new law, signed into law in mid-September by Governor Mario Cuomo, discards the long-standing rule of "let the buyer beware."

According to a report in the *Democrat & Chronicle* (Rochester, N.Y.) the legislation makes law a ruling earlier in the year by the state's Court of Appeals that a builder's warranty exists for correcting defective work, even if no written contract exists. That ruling came about when a Long Island couple brought their builder to court for damages because their four-year-old home was sinking: it had been built on rotted tree trunks.

The new law will allow new home buyers to sue their builder when they think he hasn't lived up to the terms of the warranty. ■

Canadians Probe Wet Walls

For over a decade, Canadian researchers have been studying the causes of moisture damage in housing, and looking for solutions. Their latest major research effort examined how walls dry out — or don't — in Canada's cool and damp Maritime provinces. Our crack Canadian correspondent Jon Eakes filed this report:

In February 1985, a joint Moisture Task Force, comprised of representatives from Canada Mortgage and Housing Corporation, the Canadian Home Builder's Association (CMCH), and the National Research Council of Canada (Atlantic Region) was formed. The task force was charged with investigating the causes of, and solutions to, moisture damage in walls of wood-frame housing in Atlantic Canada with special emphasis on determining the value of installing siding on furring strips.

The superficial results were: Permeable sheath systems like Glas-Clad let walls dry faster than less permeable sheathing systems like waferboard or Styrofoam. Beadboard falls in between the two. Wet injected cellulose never did dry adequately.

An important discovery was: Saturated framing lumber can be the cause of fungal growth's initial foothold in walls (which is then easily maintained by normal moisture conditions) and this may be one of the most important points to address in solving wall moisture problems. Also, poor joint and flashing details let unexpected quantities of water into wall assemblies, explaining fungal growth in many existing walls.

The surprises were: A wall built with wet lumber dried at about the same rate regardless of whether the sheathing was waferboard or Styrofoam. A1so, furring strips under vinyl siding have little effect on the speed with which a wet wall will dry out. Some researchers speculate that furring strips would have an effect with wood siding-not on drying out the wall, but on letting both faces of the siding itself have access to air to prevent cupping and the like. But this has not been researched.

Background

What is the story behind this research? Moisture problems were showing up in the late 1970s — particularly in Newfoundland. In an effort to return to walls the margin error they once had against moisture problems and reduce claims against their products, the Canadian Siding, Soffit, and Raingoods Manufacturing Association (CSSRMA) talked CMHC into requiring vertical furring strips under siding in all NHA-financed housing in Newfoundland in 1982 and then in all of Atlantic Canada in 1984. No one knew for sure if it would do any good.

Contractors fought back on two grounds. First, furring cost more. Perhaps most important, people complained that houses with furring strips were draftier than other houses. A good deal of Newfoundland housing is built with T&G boards and where waferboard is used it is installed with a native instinct to let walls breathe. Add to that Newfoundland's constant high winds and the fact that furring strips allowed the sheathing paper (which is supposed to be the wind barrier) to lift at the overlaps. CMHC came out with recommendations to seal the overlaps between the vertical furring. But, heck, it's a lot easier just to smash the sheathing paper tight to the wall directly with the siding. In 1985 the contractors won and the furring requirement was withdrawn. The task force was set up to try and find out what was really going on in the Atlantic walls.

Studies were made of existing houses with moisture problems, test huts with monitored wall sections, and computer simulations. Of course, many people point out all kinds of errors or omissions in all of this work. But despite its limitations, some useful progress has been made.

Moisture Problems in Existing Homes

The prime causes of indoor mildew growth in existing houses were cold indoor temperatures (from lowered thermostats), and poor air circulation. Consumer education would help. But this also points out the need to install heating and ventilation equipment that works to some extent despite the occupants.

Another common observation was the need for better exterior detailing to prevent rain and snow runoff from getting into the walls from the outside.

The Test Huts

The test huts were designed with near-perfect indoor air/vapor barriers on each panel, moisture saturated construction lumber, and various insulation, sheathing and furring combinations. Researchers placed identical panels on north and south exposures. Moisture movement through the walls from indoor humidity sources, although an issue in real houses, was eliminated from the experiment by the near-perfect air/vapor barrier. The objective here was to find out how fast different wall systems would allow the studs to dry out without any new source of moisture. The testing went on for two heating seasons. All panels dried to some extent, south-facing better than north-facing.

Wet Construction Lumber

It was assumed that the builders of the test huts would have to soak local lumber to get it to the saturation point desired for the tests. Surprise. Wet wood was abundant. In fact, they had so much trouble finding dry wood that they conducted a survey. Ninety percent of wood from 17 different saw mills exceeded the National Building Code requirement of less than 19 percent moisture content. Fifty four percent of the wood exceeded fiber saturation — over 30 percent water. The building code's 19-percent requirement was to prevent too much shrinkage and nail popping — they never guessed how important it was for the prevention of fungal growth inside walls.

Many areas of the U.S. and even the Canadian Prairies have their lumber shipped in from a distance. It is usually first air dried or kiln-dried to reduce shipping costs. In Atlantic Canada, however, most lumber is locally milled. Drying would make lumber non-competitive on the local market, although many large mills do dry lumber for export. Given the time that it takes studs to dry out under most building practices, plus some additional moisture from the house — we are too often looking at fungal growth getting a start in the walls before the studs dry out.

Computer Simulations of Walls

While all this field work was going on, the National Research Council was developing a computer program to predict the performance of various wall assemblies. This may eventually be a useful design instrument. The most eye-opening result of the program to date, however, is the realization that: "It is easy for a change in construction techniques or materials to produce an improvement in performance during one type of weather and yet a degradation under another typical weather condition."

Answers and More Questions

In summary, the latest, highest-profile report yet, has provided some answers, but concludes that we still don't really know exactly how a wall system works. As with much research, it has provided some answers but raised even more questions.

One thing that the task force has confirmed is that building practices should be geared to the regional climate. For example, they are taking a second look at the resurgence of board sheathing as part of a permeable wall system.

At the same time, lumber yards must be convinced to supply drier framing lumber. If builders must use water-saturated studs, they must go to sheathing systems that are more permeable than waferboard. ■

— Jon Eakes

From What We Gather

The average bathroom remodel cost $6,858 in 1987, according to a poll conducted by *Kitchen & Bath Design News*. The figures ranged from just over $5,900 in the Midwest to over $10,200 in the West, and about $7,300 in the Northeast. Sales from bathrooms accounted for about 22 percent of K&B dealers' revenues nationwide, compared to 63 percent for kitchens.

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Average U.S. salaries were $20,855 in 1987, up 4.5 percent from the year before. Washington D.C. led the country with average annual pay of $28,477. Alaska followed with $28,008, followed by New York ($24,634), Connecticut ($24,322), and New Jersey (23,842). South Dakota was lowest with $14,963 followed closely by Mississippi and North Dakota. *Source:* U.S. Commerce Dept.

Inefficient fluorescents will be outlawed in 1990, under a bill signed by President Reagan. The new standards will require improved ballasts that cost about $4 more than the old, but will save $40 over the 10- to 15-year life of the equipment.

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Trade-up buyers want to keep cool, which is why central air was installed in 48 percent of new homes in the Northeast and 92 percent in the Midwest — up 20 percent from a year ago. Warm-air furnaces gained popularity in most regions, especially in the Midwest and West with 87 percent and 71 percent, respectively. Hot water and steam systems accounted for less than 10 percent nationally, except in the Northeast, where 36 percent of new homes featured hydronic systems.

Low-Flush Toilets Mandated

The city of Los Angeles came up with a high-tech plumbing solution that may not hold water, according to an item in the July issue of *Time* magazine. During the drought this past summer, the city passed an ordinance requiring all new buildings be fitted with ultra-low-flush toilets that use only 1 1/2 gallons of water. Unfortunately, manufacturers could not possibly supply the number required by the city's booming construction industry: 100,000 a month.

On top of that, the few low-flush models available would have to meet the city's tough testing requirements — to be able to flush eight handfuls of tissue — if they were to gain city approval. By late summer one low-flush toilet had already been tested and flunked: It flushed only seven. ■

One-Stop Shopping for Efficient Water Use

Builders and designers who want to specify low-water-use fixtures can locate equipment in a new catalog just published by the Rocky Mountain Institute (1729 Snowmass Creek Rd., Snowmass, CO 81654). Specifically excluded are items that produce water savings at the cost of unsatisfactory performance: those drippy showerhead flow restrictors and toilet dams, for example.

What you can find are nearly a dozen toilets using less than 1 1/2 gallons per flush. Each are described in depth, with photo, performance specs over a range of water pressures, relevant code approvals, costs (wholesale and retail-contractor prices for commodes range from $85 up), and distributor/manufacturer information.

The annotated catalog describes how several of the products have enabled projects to go ahead despite severe sewer hook-up constraints. In some cases the low wastewater volume allowed drastic downsizing of the drain field, resulting in zero or even negative added first cost. This didn't even include the further savings in hot water bills.

The catalog also includes faucet flow restrictor/aerators, distinguishing between bathroom and kitchen faucets (kitchen faucets require a faster flow to facilitate easier pot-filling, etc.). Other items promoted include faucets with automatic shut-off, vacuum-assisted toilets, a single-line plumbing system, and water efficient irrigation systems that save about 50 percent compared to standard sprinklers. Showerheads are included, but since the publishers are committed to listing only those items "specially designed to yield service of similar or better quality with far less water," we can hope that these devices won't leave us out in the cold.

Various simple in-line pressure-reducing valves are presented. Most residential/light commercial uses can be satisfied with 50 to 65 psi, but incoming pressures of 75 to over 100 psi are not uncommon. Dropping from 80 to 50 psi saves 25 percent in water flow, without sacrificing the effectiveness of the fixtures. One model is designed to reduce flow to fixtures not able to accept low-flow aerators — Victorian style faucets, for example.

Some of the brand names are well-known (Mansfield, Watts), while some will be unfamiliar. And while the Cycle-let wastewater system, which processes and recirculates odorless and crystal-clear wastewater back to toilets, may not be an item you'd put in a spec house, it does allow a 95 percent reduction in drain field size. And from the cases reported in the catalog, it has been the solution for quite a few difficult sites.

Although not cheap ($95), the catalog is practical and useful — and offers a well-rounded view of these devices. ■

— David Kaufman