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The Legislative Effect on Development

These days, I am more involved in public policy and legislative concerns surrounding the land development industry. There have been recent historical changes in the political landscape in many states and at the national level. I have witnessed, first hand, how politics and legislative action can swiftly change the business climate.

Since 1996, my firm has become increasingly involved in the energy industry. Wind, solar, transmission, and pipeline development has ramped up globally in recent years and the effect of legislation on these projects has been dramatic. A change in tax credits or an environmental rule has the ability to bring the energy industry to life or stop it in its tracks, leaving it hard for those of us involved to predict the future. Those same legislative and government policy forces are becoming increasingly powerful and volatile in residential and commercial land development.

I have been in the industry for 15 years and have helped to develop many new land projects. Looking back, it is easy to see how legislative actions and agency decisions affect the industry. The 2009 housing tax credit created a brief blip in new and existing home sales. The creation of more stringent rules for stormwater and erosion control through the NPDES process have increased costs for contracting, materials, and monitoring.

Political action continues today. Changes to the mortgage interest deduction will be considered by congress soon. Per the National Association of Home Builders (NAHB), the mortgage interest deduction could become a 12% non-refundable tax credit available to all tax payers, not just those who itemize. The current $1 million mortgage limit would be reduced to $500,000 and unavailable on second homes or home equity loans. Furthermore, drastic changes to, or the elimination of Fanny Mae and Freddy Mac could fundamentally change or eliminate those institutions. According to *BuilderOnline.com*, 90% of U.S. mortgages currently involve the federal government.

Past political and agency actions have been a strong force affecting the land development industry. The current political climate seems poised to significantly alter the industry and those involved. The speed of change is accelerating. Keeping pace with the forces of regulatory change and planning for the varied outcomes will be vital for success in the future.

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