

## Second Home Development

### The Issue

Tourism has developed into one of West Virginia's leading industries, creating jobs, income, taxes and wealth while maintaining good stewardship of our state's natural assets and beauty. A growing number of baby boomers are seeking retirement and getaway homes in our state. Given the significant capital investments in second home developments, West Virginia needs a public policy that encourages such investments so as to increase the property tax base, create jobs and encouraging that West Virginia is a place to invest for fun and the future. However, the regulation of second home development is a patchwork of varied standards from location to location in this state, which is frustrating, time consuming and incoherent when there is significant capital to be invested by commercial investors.

### Background

It is estimated that more than six million second homes exist in the United States. Spending on these second homes exceeds \$19 billion a year, and that does not include the initial cost of buying and furnishing the home. Over the next decade, because many Baby Boomers will enter the prime life stage for buying a second home, this trend will continue. Nationwide, 22.8 million households who currently own a single home say that there's some likelihood they'll purchase such property over the next 10 years, and 13.5 million say there is a 50/50 chance or better they will buy recreational property. Combined, that's a market of 36.3 million potential purchasers.

These second homeowners are weekend warriors to the 'wilds' of West Virginia. They invest millions in the Mountain State. These homes are purchased for \$300,000 to \$1 million. Some provide a bed base for our tourist attractions while others are used by baby boomers, friends, and family on a consistent basis. Some pay a higher mill rate for property tax (Class 3 for rental property). They are customers of convenience, gas, and grocery stores. They visit our many recreational facilities; eat in our diverse dining establishments and leave behind their earnings generated outside West Virginia's borders.

According to Randy Childs, an economist at WVU's Bureau of Business and Economic Research as of the 2000 census West Virginia had 38,283 second homes. This represents a 71 percent increase from the previous decade, ranking West Virginia sixth in the nation in percentage increase of second home purchases.

While the recreational resort homeowner or real estate investment purchaser may be around for some time to come that is not the case of the 2nd home user or Baby Boomer. According to statistics, nearly all Baby Boomers will have made the second home decision by 2014. The tremendous attributes mentioned moments ago attract Baby Boomers to West Virginia who plan to convert their second home to their primary residence upon retirement. These Baby Boomers have expectations for traditional infrastructure such as health care facilities, maintained highway systems, access to airports, reliable water/sewer and broadband.

### **The Chamber's Position**

The West Virginia Chamber of Commerce supports the development of “one stop shop” in the W.Va. Department of Commerce for investments over \$10 million for second home real estate developments to centralize and assist developers with a timely, informed decision process to capture increased capital investment