

## Response to Questions on the FY 2005 Advertised Budget Plan

**Request By:** Chairman Connolly and Supervisor Bulova

**Question:** Provide an assessment of the annual and cumulative fiscal impact to the County property tax revenue of the existence of 4,000 defective homes in the County due to their construction with a problematic exterior material which irreversibly damaged those homes. What measures might be taken to assist the homeowner, legislatively or otherwise?

**Response:** Neither the Building Inspections Division of DPWES nor the Department of Tax Administration (DTA) have any central data base that records the number of properties within Fairfax County that have 'Exterior Insulation and Finish Systems' (EIFS). Therefore staff has no data to confirm the reference to "4,000 defective homes."

DTA can report that it received approximately 25 appeals primarily in tax year 2000 specifically related to the EIFS issue. Some homes may have only one exterior wall with EIFS installation, while others may have it on four sides. Potential value reductions therefore could vary significantly depending on the degree of the replacement or repair required.

The combined loss in tax revenue from these appeals amounted to approximately \$69,000, or an average tax revenue loss of about \$2,760 per property. The majority of those dwellings had the material replaced or repaired in a 1 to 2 year time frame. Consequently, dwelling values were subsequently restored. If one were to multiply this average loss by 4,000 properties, the cumulative potential revenue liability would be just over \$11 million. Again however, staff has no data to validate the potential number of properties, nor has DTA received any influx of EIFS appeals since tax year 2000 when the problem was first widely publicized in the media.

Staff is not aware of any legislative avenue to address this issue. However, there is a class action suit pending in Tennessee against the manufacturer of EIFS "stucco" and this suit includes claimants from Virginia. A large portion of that litigation has been completed, however persons who may be eligible to submit claims can continue to do so until June 5, 2004. A link to a site describing the litigation and claimant eligibility can be found at <http://www.stuccosettlement.com>

As background, the EIFS question relates to a siding material used for exterior walls. There are two types of EIFS— a 'drainable' type that allows moisture to escape and a 'barrier' type (non-drainable). The barrier type has been the major problem, allowing the intrusion of moisture causing structural rotting damage. Unfortunately, such damage is not always readily observable. Absent visible damage a reliable engineering/inspection report may be needed to make a definitive determination as to the presence of any EIFS impact on a particular dwelling.