

REDUCING LOCAL IMPACT FEES AND OTHER UPFRONT TAXES

THE ISSUE

An impact fee is a fee that is imposed by a local government on a new or proposed development project to pay for all or a portion of the costs of providing public services to the new development.

Impact fees are:

- Levied on an "up-front" or "front-end" basis, usually at the time of building permit issuance or subdivision approval, or certificate of occupancy; and
- Prescribed by ordinance, although the dollar amount may or may not be specified.

Many communities have turned to impact fees as a politically expedient means by which to construct public infrastructure systems on the assumption that new development must pay its way.

Yet the use of impact fees shifts much of the financial burden away from all public infrastructure users (the general public) to a narrow segment of the public — new home buyers and home builders.

When fees are imposed arbitrarily, or to fund other unrelated city or county services not connected to new home construction, this unfairly raises housing costs for home buyers and renters alike.

Excessive impact fees also act as a barrier to home construction at a time when more housing is needed to satisfy unmet demand.

THE SOLUTION

The home building industry agrees that some impact fees are necessary to cover the costs of increased public services for new home developments.

However, local officials must impose impact fees fairly with the cost to the home buyer in mind.