

Impact Fee Basics: Myths and Misconceptions

Presented By:

*L. Carson Bise II, AICP
Vice President*

TischlerBise
Fiscal, Economic & Planning Consultants

Why Impact Fees?

- Maintain existing levels of service
- New growth pays its equitable share
- Encourages disciplined capital improvement planning
 - Earmarks money for capital improvements
- Promotes comprehensive planning and growth management
 - Helps ensure adequate public facilities
- Guarantees level playing field
- Anti-growth pressure can be eased

Myths and Misconceptions

- Impact fees cover the entire cost of new facilities, negating the need for higher taxes
 - A “properly” designed fee may come close
 - Credits
 - How about the O&M costs?
 - Additional police officers, fire fighters, etc.
- Impact fees should be based on planning standards, without concern for deficiencies

Myths and Misconceptions

- Impact fees negatively affect low/moderate income housing
 - Credits for affordable housing can mitigate impact
 - Fee not always passed-on in the price of the home; studies have shown that fees are often absorbed by others in the “food chain” depending on market conditions:
 - Land owner
 - Developer
 - Homebuilder
 - Home owner

Myths and Misconceptions

- Impact fees will cause new development to migrate to adjacent communities
 - Impact fees ensure that services are available
 - Impact fees maintain community standards
 - Impact fees help make a development “marketable”
 - Impact fees may be a catalyst for growth

Myths and Misconceptions

- Our community can't compete if we implement impact fees
 - Perhaps, if your fees are substantially “out of line” with the area
 - Absent fees, development costs don't go away - they are just recovered via other sources

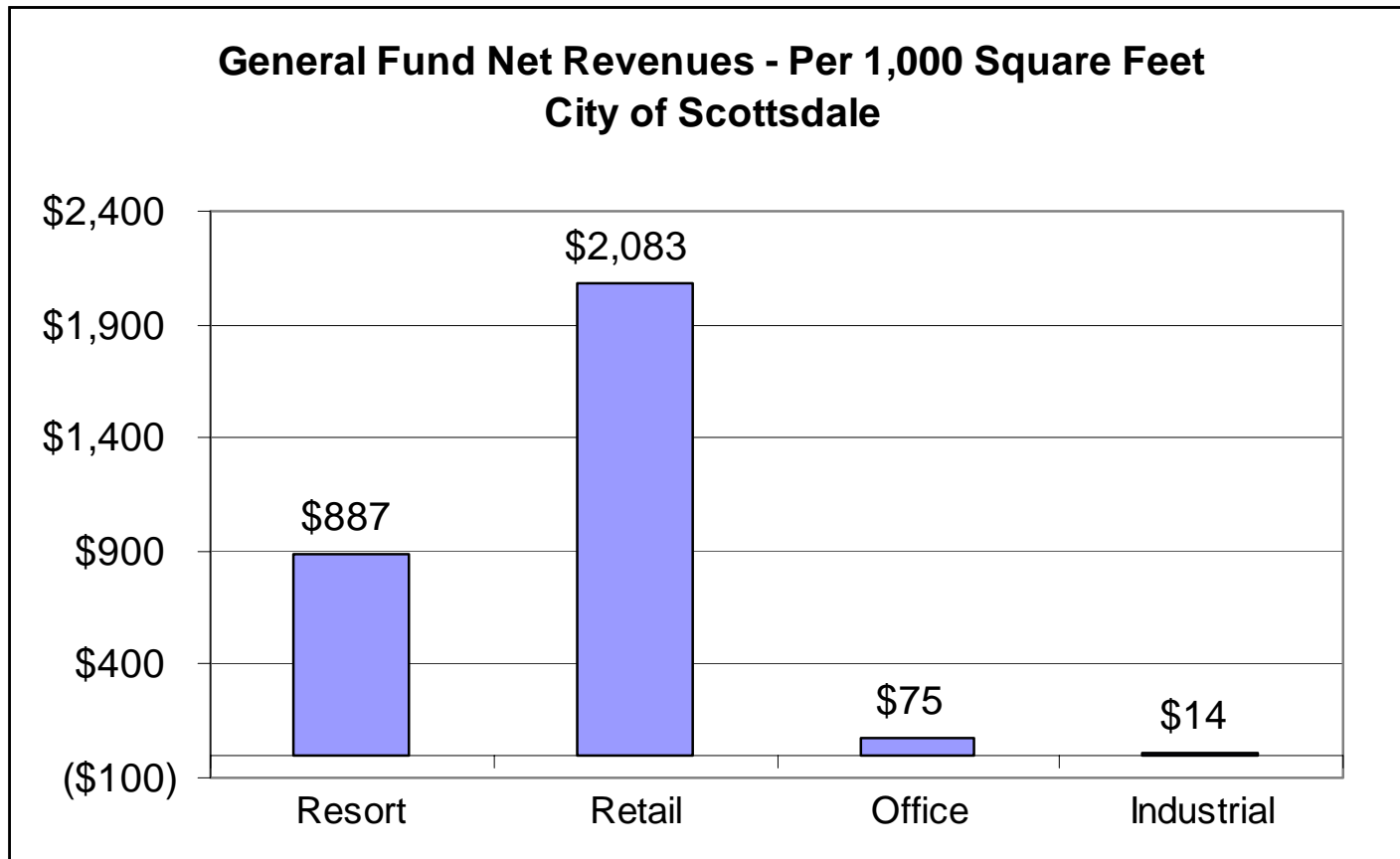
Myths and Misconceptions

- Nonresidential fees can be “adjusted” for economic reasons
- All developers/builders hate impact fees

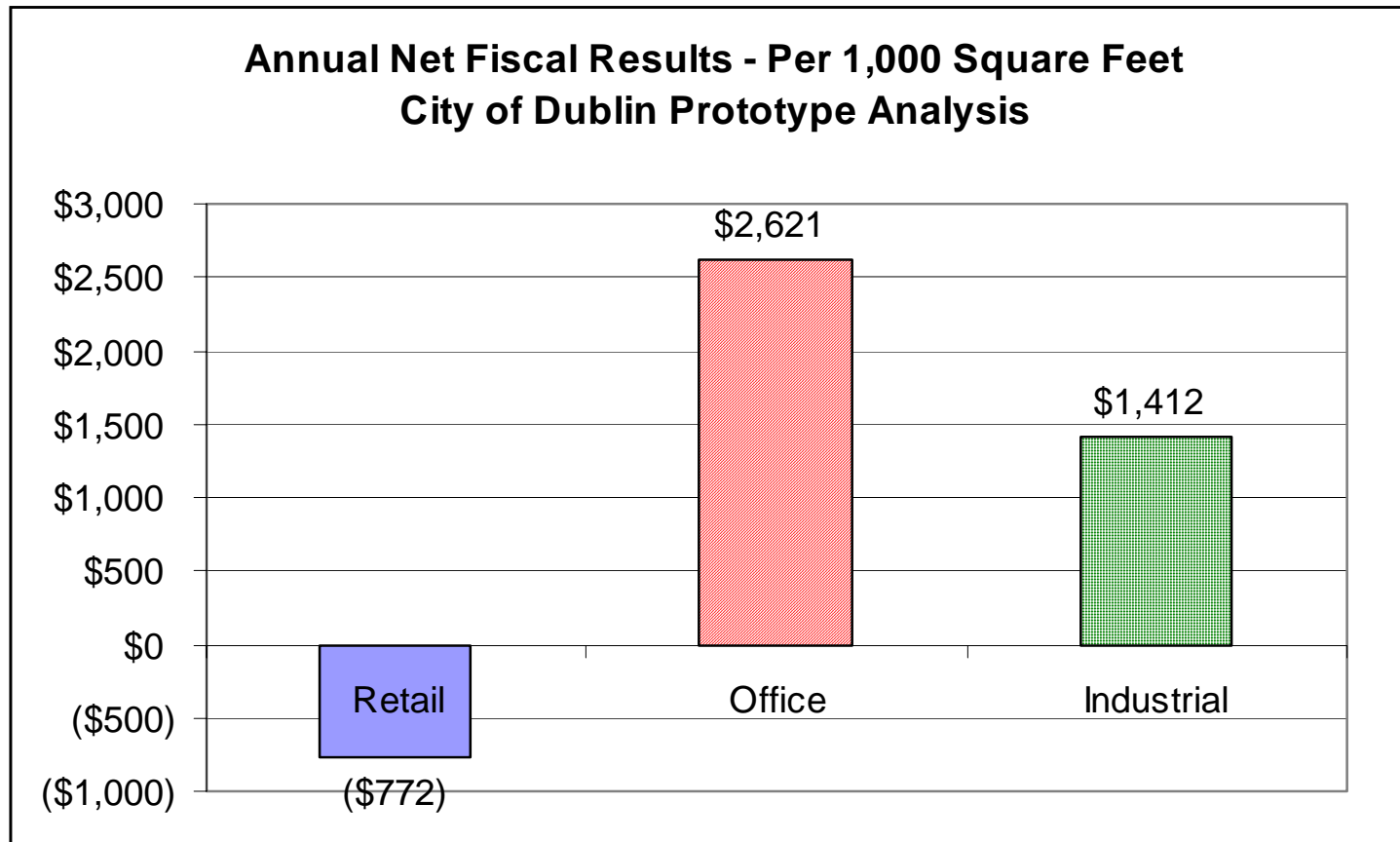
Myths and Misconceptions

- Development more than pays for itself through job creation, incremental property and sales taxes, etc.
 - Beware of economic impact analyses passed off as fiscal analysis
 - Hierarchy of land uses
 - Vary by jurisdiction and state

Hierarchy of Land Uses



Hierarchy of Land Uses



Using Fiscal Analysis with Impact Fees

- Cash flow analysis
 - What is the fiscal reality
 - What are the associated operating costs!
 - What non-impact fee revenue is needed
- Level of service changes?
 - Queen Creek, AZ