



American Planning Association
Virginia Chapter

Making Great Communities Happen

Impact Fee Primer

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Impact Fees: Lessons Learned

- History of Impact Fees Nationally
- How They Work – The Basics
- The Virginia Experience

James B. Duncan, FAICP

- President of national consulting firm, Duncan Associates
- Drafted codes for numerous Virginia cities and counties
- Drafted impact fee studies for over 100 clients in 30 states
- Created nation's 1st online resource: www.impactfees.com
- Managed nation's 1st multi-facility impact fee system
- Co-authored nation's 1st state impact fee enabling act
- Co-authored "Growth Management Principles and Practices"
- Past national president of American Planning Association

Evolution of Impact Fees

- **1970s – Era of Frustration**
 - Rapid urbanization
 - Anti-tax revolution
- **1980s – Era of Acceleration**
 - Declining State and Federal assistance
 - “Reaganomics” (Public-Private Partnerships)
- **1990s – Era of Maturation**
 - “Smart growth”-oriented impact fees
 - Increased state enabling legislation
- **2000s – Era of Frustration II**
 - Skyrocketing infrastructure costs and fees
 - Roller coaster real estate markets

“The Perfect Impact Fee Act”

The “Rational Nexus”

- Need
 - *Plans and Projections*
- Benefit
 - *CIPs and Service Areas*
- Fair Share
 - *Proportionality*

“The Perfect Impact Fee Act”

Substantive Issues

- Eligible Facilities
 - *Be Permissive, Not Prohibitive*
- Levels of Service
 - *Omit “Sins of the Past”*
- Crediting
 - *No Double Charging*
- Earmarking
 - *Spend Wisely*

“The Perfect Impact Fee Act”

Procedural Issues

- Stakeholder Involvement
- Collections and Refunds
- Timing: Phase-Ins and Updates
- Waivers and Exemptions

Impact Fees: *The Basics*

Chris Nelson, Ph.D., FAICP
Presidential Professor
Director, Metropolitan Research Center
University of Utah

Dr. Arthur C. Nelson, FAICP

- Founding Director, Urban Affairs & Planning program at Virginia Tech's Alexandria Center.
- Co-Founder of Virginia Tech's doctoral program in Planning, Policy and Globalization at the Alexandria Center.
- Co-Director of the Metropolitan Institute at Virginia Tech.
- Founding Director, Planning Academy at Virginia Tech.
- Wrote/co-wrote all major impact fee texts since 1988.
- Co-authored (with developers and the Governor's office) the Georgia impact fee act, considered a model for balance.
- Drafted more than 100 impact fees.
- Expert for home builders in five states.

Impact Fee Overview

- **Gap** financing as a last resort.
- **Total cost less revenues = Gap = Impact Fee**
- **Impact Fee Safeguards:**
 - *Must not exceed proportionate-share of the gap;*
 - *Used only for facilities being impacted;*
 - *Spent within a reasonable period of time; and*
 - *Spent within reasonable proximity.*

Use of Impact Fees

- Fees **dedicated** to expanding infrastructure capacity.
- **Cannot** be used for operations or maintenance.
- **Accommodates** new development without raising property, sales, transfer, and other taxes.
- Often **leverages** federal & state grant funds.
- **Facilitates** economic development →
 - *Water, sewer, drainage, roads needed to facilitate growth.*
 - *Schools, parks, libraries, and public safety facilities needed to attract and retain competitive labor force*

Basic Calculations – Fire Station Example

| <u>Step</u> | <u>Calculation</u> |
|----------------------------|-------------------------|
| Level of Service | 1 station/ 10,000 homes |
| Total Cost | \$4,000,000/ station |
| Less Nonlocal Money | -\$500,000 |
| Less Dedicated Local Funds | -\$1,000,000 |
| Less Other Funds | -\$500,000 |
| Net Cost | \$2,000,000 |

Average Impact Fee = \$200/Home

Reduced further by any in-kind contributions

Local Impact Fee Options

- **Infill and Redevelopment**

- *Low or no impact fees in targeted infill / redevelopment areas.*

- **Economic Development**

- *Waive fees on targeted economic development with non-impact fee funds.*

- *Targeted areas should be mapped.*

- *Define what is meant as “targeted”.*

- **Work Force Housing** Impact fees by size of unit [Data shows bigger homes have more residents and thus more impact than smaller ones.]

- *Differentiate fees between high-cost and low-cost areas.*

- *Some states allow waiver of impact fees for affordable housing.*

- *Other states allow waiver using non-impact fee sources.*

Examples Around the USA

- **New Mexico** enables waiver of impact fees for affordable housing.
- **Atlanta** waives impact fees for economic development in enterprise zones and reduces/waives fees for affordable housing; fees paid from separate accounts.
- Some **Georgia** communities charge residential impact fees based on per square foot of house size.
- **Albuquerque's** “infill” strategy charges no impact fees for areas already served by adequate facilities.
- **Atlanta** cuts impact fees by 50% within 1,000 feet of rail.
- Some **Florida** counties charge lower road impact fees for central locations than fringe locations.

Impact Fees: *The Virginia Experience*

L. Carson Bise, AICP
President – TischlerBise Associates – Bethesda,
MD

L. Carson Bise, AICP, President

- 19 years of fiscal, economic and planning experience
- Started career as a Virginia planner
 - *Frederick County*
 - *Spotsylvania County*
 - *Chesterfield County*
- Prepared over 130 impact fees
- Member of the Board of Directors of the National Impact Fee Roundtable
- Chair of American Planning Association's Paying for Growth Task Force

TischlerBise

- 30-year national practice
- Impact fees (over 700)
- Fiscal impact evaluations (over 600)
- Infrastructure needs / financing alternatives
- Fiscal software
- Utility Rate Studies
- User Fees
- Cost Allocation Plans
- Public and Private Sector Experience



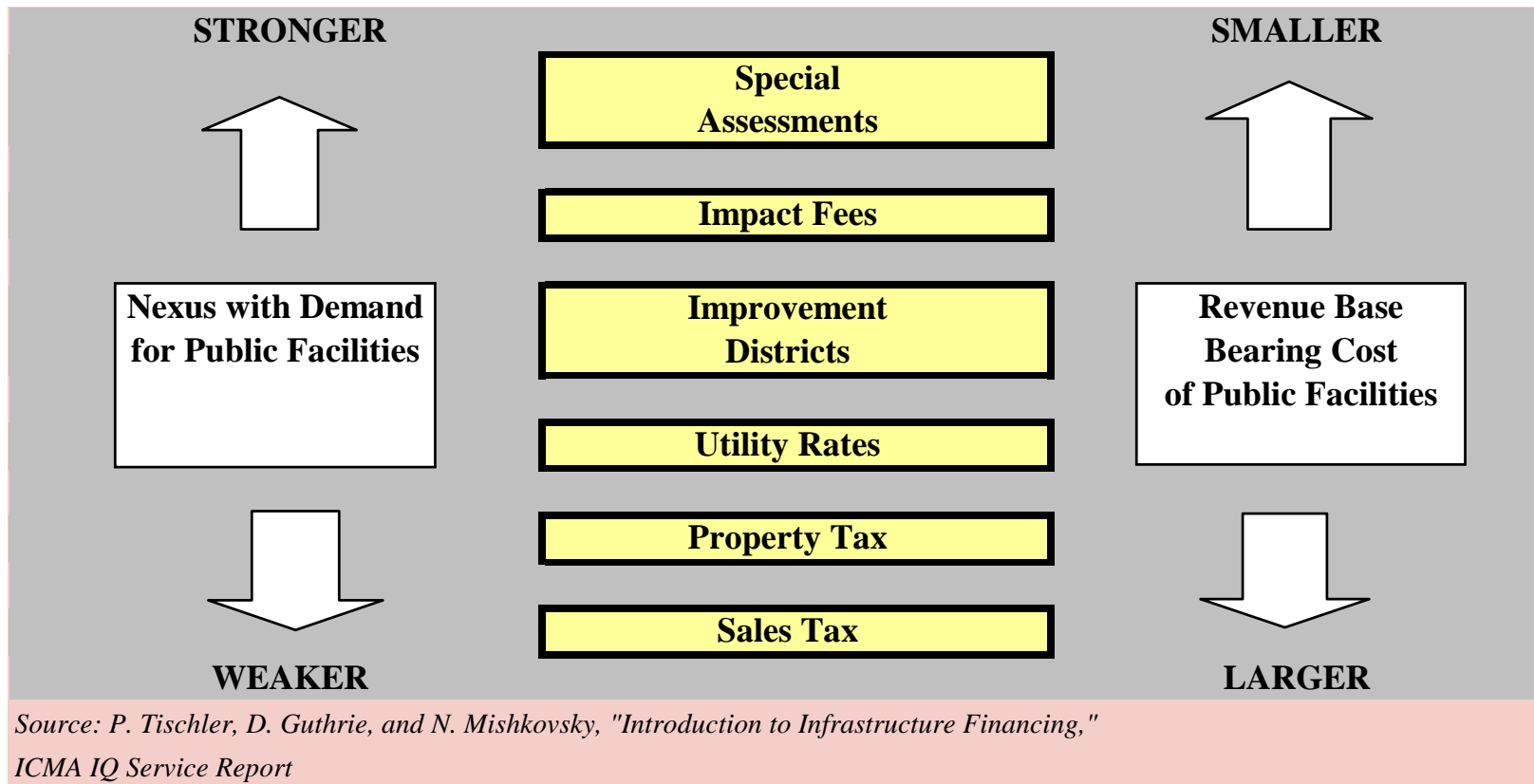
Virginia Clients

| | |
|---------------|----------------|
| Albemarle | James City |
| Amherst | Leesburg |
| Alexandria | Norfolk |
| Chesapeake | Prince George |
| Chesterfield | Prince William |
| Fairfax | Spotsylvania |
| Falls Church | Stafford |
| Frederick | Suffolk |
| Goochland | Sussex |
| Henrico | Virginia Beach |
| Isle of Wight | |

Current Funding Options for Local Capital Improvements in Virginia

- **General Fund**
- **Cash Proffers**
 - *Voluntary at rezoning*
- **Impact Fees (For Roads Only)**
 - *Only Stafford has implemented Road Impact Fees*
 - *Other Counties have explored impact fees (list not exhaustive): Spotsylvania, Prince William, Chesterfield, Culpeper, Stafford (updating)*
- **Service Districts**
- **Community Development Authorities**
- **State / Federal Contributions**

Conceptual Framework for Revenue Strategies



Cash Proffers

- **Form of conditional zoning**
 - *One-time, voluntary monetary commitment by property owner / developer at time of rezoning*
- **Proffer passes with the ownership of the property**
- **Development impacts being mitigated may or may not be directly related to the development at issue**
 - *Depends on statutory authority*
- **Approaches differ by jurisdiction**

Challenges of Current Road Impact Fee Authority

- **The Code looks onerous at first glance**
 - *Very specific in places*
- **There are several unanswered questions with the current Virginia impact fee authority**
 - *Requirement to identify road improvement needs for “committed” development as defined in the Code is problematic*
 - *Fees calculated at site plan or subdivision and collected at building permit*
 - *Can proffers be used for new rezonings and impact fees for past rezonings that have not developed yet?*
- **State transportation funds are dwindling**
- **Levels of service will continue to decline without local involvement/funding**
- **Locals are beginning to take road building responsibility**
 - *Traditionally been a responsibility of the Commonwealth*
- **How to fund existing development’s share?**
 - *Impact fees typically do not cover the total cost of new roads; other funding is needed*
 - *High cost of projects (especially roads)*

Other Challenges

- **Elected officials like the flexibility of proffer system**
 - *Collection from nonresidential development (less flexibility with impact fees)*
 - *Many feel their jurisdiction has been successful with the proffer system*
 - *Point to the ability to negotiate “bricks and mortar” improvements*
- **Cash proffer amounts per unit are high and keep increasing**
 - *Actual amount of revenue generated/collected by localities is relatively small compared to size of project needs and takes awhile to build up*
 - *Henrico County used this as an argument not to do proffers—“not that much money anyway.”*

Can Impact Fees/Proffers Co-exist?

- **Stafford County is doing both**
 - Two small road impact fees districts and proffers
 - Currently conducting countywide road impact fee study and intend to keep proffers
- **Integration requires tracking and possibly credits**
- **Data shows that school and roads are most popular proffers**
 - Impact fees for others?
- **Impact fees could be charged for certain components, proffers for others**
 - Parks example

Thank You

- *Are there any questions?*





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