



## **IMPACT FEES: Common Questions & Misconceptions**

*Do impact fees have a negative impact on development?*

This is a frequent argument against impact fees. That is, if one community imposes the fees, development will simply move elsewhere. In fact, the opposite has proven true. Where impact fees on new development (or their tax equivalent - development excise taxes) have been imposed—growth has continued unabated. Examples of communities with high growth and comprehensive development charges include: Larimer County, City of Fort Collins, City of Boulder, Town of Ridgway, City of Durango, Town of Eagle, Town of Erie, Grand Junction, and many others.

The important difference being, communities with impact fees in place are prepared to cope with the increased development because they now have a revenue mechanism to ensure that current capital facility service levels will be maintained rather than being degraded by new development.

*Does the development community oppose impact fees?*

No. In fact, Senate Bill 15 (granting statutory enabling authority to Colorado Municipalities and Counties to impose impact fees) was written and passed into law, in large part, through the lobbying efforts of the Colorado Homebuilders Association. While there has been opposition to impact fees in the past due to ambiguous enabling authority or poorly calculated (and possible inequitable) fees, developers generally support impact fees for two reasons.

First, the fees insure that service levels, and thus the quality of community character will be maintained--protecting the investment and salability of developers projects.

Second, impact fees remove some of the uncertainty from the development review process because they specify exactly what developers will be assessed for, in a dollar amount, for defraying the possible negative impacts of their projects on the community at large.

*Can impact fees be prepared by municipal staffs?*

Yes. Impact fees are complex and must be scrupulously calculated to ensure that developers are charged no more than their "fair share," but municipal and

county staff's have successfully prepared legitimate fee schedules in several Colorado Communities. RPI authored a detailed methodology section for preparing impact fees in the Colorado Municipal League's recent publication *Paying for Growth*<sup>1</sup>. This comprehensive chapter should serve as a starting point for elected officials and staff to determine whether or not they feel comfortable preparing the fees in-house.

*Do impact fees increase the cost of housing?*

While impact fee's do increase the price of housing, they do not increase the cost. In other words, the costs to local government of servicing residential development are constant, and impact fees simply reflect these costs, which in turn, are reflected in the price of housing. The fiscal burden has simply been shifted away from the community at large and assessed to new growth directly.

*Will impact fees cover all of our capital facilities needs?*

Impact fees ensure that new growth will pay for the impacts it creates on existing service levels. However, in many communities capital facilities backlogs exist and new development cannot be charged for these existing deficiencies. Consequently, while impact fees are a critical component of maintaining adequate capital facilities service levels, they only rarely represent the entire solution.

*Is it expensive to have impact fees prepared by consultants?*

The Town of Silt has already laid a solid foundation for the preparation and adoption of impact fees by commissioning the Development Impact Analysis. This report provides much of information necessary to generate a schedule of impact fees for many of Silt's departments and services. While the preparation of impact fees requires scrupulous attention to detail and a knowledge of appropriate and acceptable methodologies, it has been our experience that the cost of the impact fee support study is more than recouped through fee revenue in a relatively short time frame (often less than 1 year).

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<sup>1</sup> Available from the Colorado Municipal League. *Paying for Growth: Impact Fees Under Senate Bill 15*, April 2002.