



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



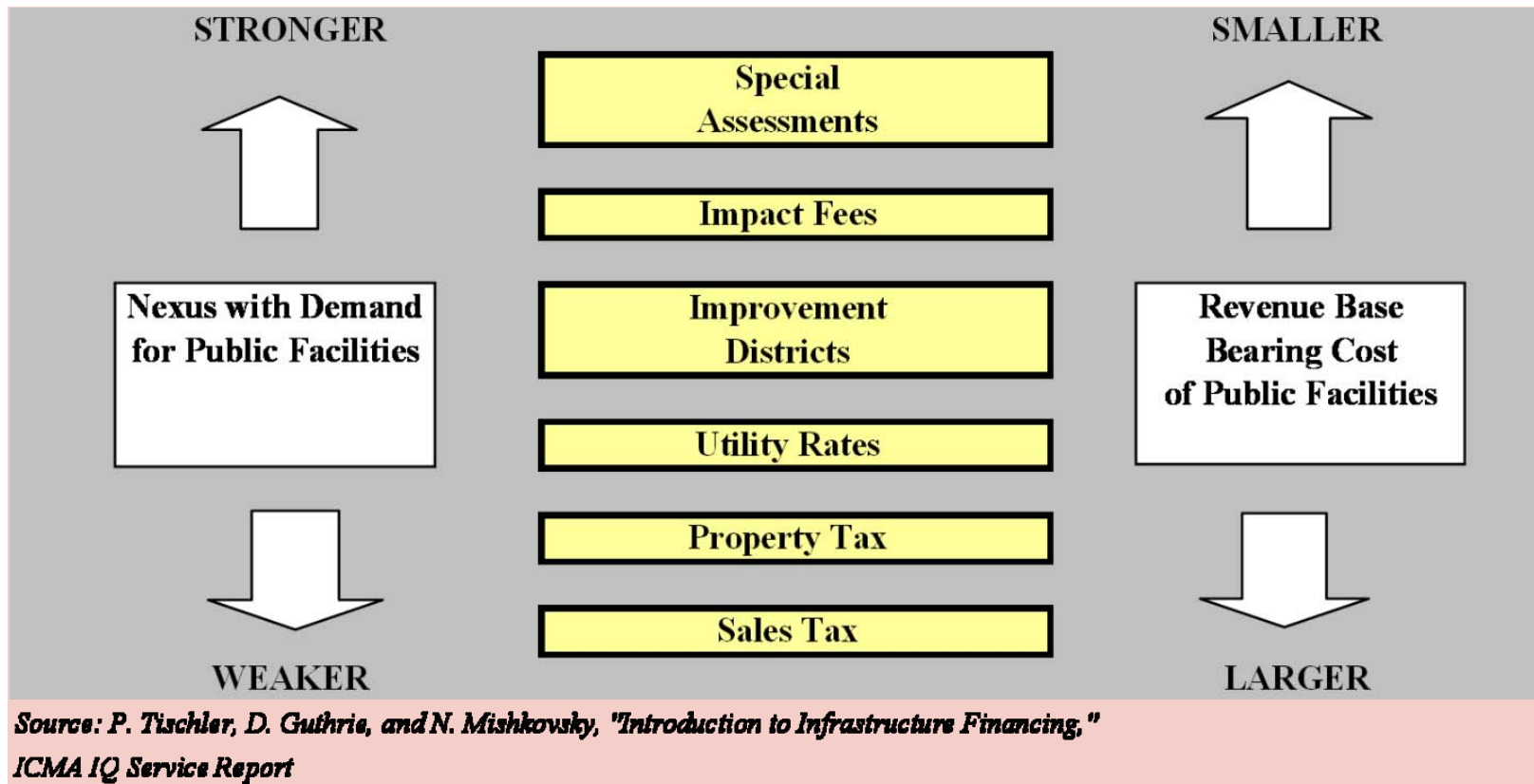
Virginia Clients

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.”*

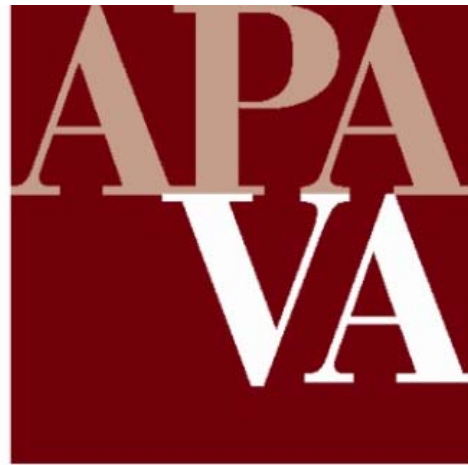
Can Impact Fees/Proffers Co-exist?

- **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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