

Impact Fees

Planning And Zoning Department



What are Impact Fees

- ▶ “Impact fees are payments required by local governments of new development for the purpose of providing new or expanded public capital facilities required to serve that development. The fees typically require cash payments in advance of the completion of development, are based on a methodology and calculation derived from the cost of the facility and the nature and size of the development, and are used to finance improvements offsite of, but to the benefit of the development” (“APA Policy Guide”, 1997).
- ▶ Developers pay a one time fee to pay for the increased burden on local services
- ▶ The main goal of impact fees is to shift the cost of providing services to new developments to those who benefit from the development as opposed to the general taxpayer



History of Impact Fees

- ▶ In the US
 - ▶ Impact fees were first utilized in Hinsdale, Illinois in the late 1940's due to citizens opposition to increasing property taxes
 - ▶ These fees have grown in popularity as positive results become apparent
 - ▶ Impact fees more adequately cover development costs than general taxes, ensure benefits to those who pay them, and increase supply of buildable land (Nelson and Moody, 2003).
- ▶ In Arkansas
 - ▶ Bentonville: Parks, Library, Fire and Police.
 - ▶ Conway: Roads and Parks.
 - ▶ Fayetteville: Police, Fire, Water, and Wastewater.
 - ▶ Sherwood



How Impact fees can be used

- ▶ Financing new infrastructure
 - ▶ Parks
 - ▶ Roads
 - ▶ Sewer Facilities
 - ▶ Water Facilities
 - ▶ Libraries
 - ▶ Schools
- ▶ “Local governments are not allowed to spend revenue from impact fees on anything other than what the fees are slated for” (“*Impact Fees: What They Are*”,2012).



Restrictions

- ▶ “Impact fees can only be used to finance capital infrastructure and cannot be used to finance ongoing operations and/or maintenance and rehabilitation costs”
- ▶ “Impact fees cannot be deposited in the local government’s General Fund: the funds must be accounted for separately in individual accounts and earmarked for the capital expenses for which they were collected”
- ▶ “Impact fees cannot be used to correct the deficiency for all current residents and businesses in the community”

(“*Impact fee Analysis Report*”, 2016)



Legislation on Impact Fees in Arkansas

- ▶ (Section 14-56-103)-April 2003- Development Impact Fees Act- Act 1719
 - ▶ “The act only applies to municipalities and water or wastewater providers; it does not authorize impact fees for counties. It clarified the authority of cities to enact impact fees, which had not been firmly established before this” (Mullen, 2015).
 - ▶ “To assess impact fees, a city must first adopt an ordinance. The ordinance must be preceded by the development of a capital plan and level of service standards for the types of facilities for which the impact fees are to be imposed” (Road and Impact Fee Study, 2011).
 - ▶ Ex: Conway- Ordinance O-03-98 (Section 12)
- ▶ Updated 3/19/2007-“Act 310”



Impact Fee Examples in Arkansas



City of Bentonville								
Residential (Per Unit)	Parks	Library	Fire	Police	Roads	Water	Wastewater	Total
Single-Family Housing	\$791	-	\$515	-	X	-	-	\$1,306
All other Residential Housing Types	\$568	-	\$370	-	X	-	-	\$938
Nonresidential (per 1,000 SF)	Parks	Library	Fire	Police	Roads	Water	Wastewater	Total
Commercial	-	-	\$217	-	X	-	-	\$217
Industrial	-	-	\$130	-	X	-	-	\$130
Office	-	-	\$295	-	X	-	-	\$295



Impact Fee Examples in Arkansas



City of Conway								
Residential (Per Unit)	Parks	Library	Fire	Police	Roads	Water	Wastewater	Total
Single-Family Housing	\$717	-	-	-	\$1,116	-	-	\$1,833
All other Residential Housing Types	\$501	-	-	-	\$664	-	-	\$1,165
Nonresidential (per 1,000 SF)	Parks	Library	Fire	Police	Roads	Water	Wastewater	Total
Commercial	-	-	-	-	\$2,433	-	-	\$2,433
Industrial	-	-	-	-	\$634	-	-	\$634
Office	-	-	-	-	\$1,012	-	-	\$1,012



Impact Fee Examples in Arkansas



City of Fayetteville								
Residential (Per Unit)	Parks	Library	Fire	Police	Roads	Water	Wastewater	Total
Single-Family Housing	-	-	\$150	\$162	X	\$971	\$872	\$2,155
All other Residential Housing Types	-	-	\$222	\$239	X	\$691	\$620	\$1,772
Nonresidential (per 1,000 SF)	Parks	Library	Fire	Police	Roads	Water	Wastewater	Total
Commercial	-	-	\$293	\$338	X	\$32,636	\$29,308	\$62,521
Industrial	-	-	-	-	X	-	-	-
Office	-	-	-	-	X	-	-	-



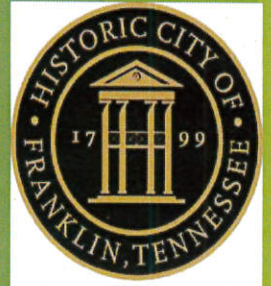
SHERWOOD

Impact Fee Examples in Arkansas

City of Sherwood								
Residential (Per Unit)	Parks	Library	Fire	Police	Roads	Water	Wastewater	Total
Single-Family Housing	\$2,154	-	-	-	\$1,676	-	-	\$3,830
All other Residential Housing Types	\$1,494	-	-	-	\$1,494	-	-	\$2,549
Nonresidential (per 1,000 SF)	Parks	Library	Fire	Police	Roads	Water	Wastewater	Total
Commercial	\$0	-	-	-	\$2,214	-	-	\$2,214
Industrial	\$0	-	-	-	\$1,593	-	-	\$1,593
Office	\$0	-	-	-	\$2,023	-	-	\$2,023



Impact Fee Example: Franklin Tennessee



City of Franklin, TN								
Residential (Per Unit)	Parks	Library	Fire	Police	Roads	Water	Wastewater	Total
Single-Family Housing	-	-	-	-	\$4,911	-	-	\$4,911
Multi-Family	-	-	-	-	\$3,112	-	-	\$3,112
Nonresidential (per 1,000 SF)	Parks	Library	Fire	Police	Roads	Water	Wastewater	Total
Commercial	-	-	-	-	\$12,069	-	-	\$12,069
Industrial	-	-	-	-	\$2,030	-	-	\$2,030
Office	-	-	-	-	\$4,632	-	-	\$4,632



Impact Fee Cost-City Comparison

Impact Fee City Comparison (per unit and square footage)			
City	Single Family-Housing (per unit)	Multi-Family (per unit)	Commercial (per 1,000 SF)
Bentonville	\$1,306	\$938	\$217
Conway	\$1,833	\$1,165	\$2,433
Fayetteville	\$2,155	\$1,772	\$62,521
Sherwood	\$3,830	\$2,549	\$2,214
Elkins	\$1,250	\$887.50	x
Franklin, Tennessee	\$4,911	\$3,112	\$12,069



References

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