Home Builders Association
of Greater Springfield, Missouri
Issue Position Brief

IMPACT FEES

General Philosophy
The financing of off-site infrastructure that serves or has the potential for serving more than one project should be based on community-wide or broader funding sources, rather than impact fees/taxes on new housing. Impact fees place a punitive and disproportionate share of the cost of community growth on a small segment of the overall community: new homeowners.

Background
Current problems related to infrastructure financing inadequacies are amplified as federal funding continues to dry up and local tax caps are implemented. Wanting to limit their indebtedness and maintain their bond ratings, yet facilitate economic growth, more and more jurisdictions are imposing impact fees on developers and, through developers, on new housing consumers, as a way to pay for improvements beyond that necessary for new development. These exactions have worsened the nation's housing affordability problems. In some localities, onerous impact fees have stagnated population growth, and with it, economic development. In the extreme, some local governments actually use impact fees as part of a strategy to limit residential development outright.

Initially born into high growth coastal states such as California and Florida, impact fees have found renewed popularity in Middle America. This resurgence can also be attributed to the two-year election cycle that cultivates an environment of placing the financing burden on future residents, rather than the current electorate. A more equitable and affordable approach to infrastructure financing would assure that costs of facilities that serve the entire community be spread over the entire community. The result is the national trend in school, road, and water/wastewater impact fees; with emerging fees for financing open space and recreational facilities.

Too many local governments and consultants support the position of imposing the ordinance first, and asking the fundamental equity questions later, but only if legally challenged. There are currently a handful of consulting experts from around the nation who are responsible for a vast majority of the technical memorandum that form the legal basis for impact fee ordinances. With the municipalities as their client base, these consultants typically set out to establish the maximum amount of impact fee that the locality can impose with little assessment of the benefits of growth.

There is an increased body of work surfacing that highlights the costs of growth. The benefits are seldom adequately considered. Increases to the local property tax base are obvious and only partially included within growth assessments. The fact that every household needs to be furnished, fed, and clothed should always be factored. The resulting expenditures increase economic development activity, which includes job creation and a multitude of inputs into the local tax base. These secondary and tertiary benefits of growth are absent from almost all growth calculations and social evaluations. The ramifications of imposing fees that discourage development have extensive adverse impacts to the jurisdiction's overall health and well-being and an increasing number of communities seem to be acknowledging this.

Solutions

- Seek and support legislation to provide mechanisms for facilitating broad-based infrastructure finance.
- Support the use of community-wide resources such as property taxes, sales taxes, transfer taxes, and income taxes to support community-wide infrastructure finance.
- Encourage government accountability of current and available funding sources before assessing any fee.

* For additional Infrastructure Solution recommendations, see the attached publication, entitled *Building For Tomorrow: Innovative Infrastructure Solutions* *©2003.*