



Impact Fee Basics: Technical Study

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Impact Fee Definition

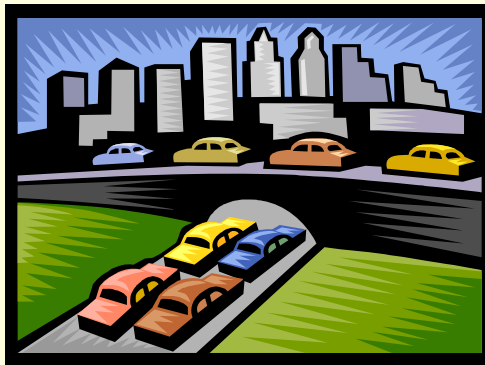
- **An impact fee:**
 - **one-time capital charge to new development;**
 - **covers the cost of new capital facility capacity; and**
 - **implements the CIE and CIP.**



Basic Impact Fee Formula

Impact Fee = (Demand x Unit Cost) – Credit

Impact Fee = New Growth – New Revenue



Defendable Methodology

- **Study that documents:**
 - need for capital
 - cost of capital facilities
 - proportionate share of costs
 - credits
 - maximum fee per unit of development



Components of the Impact Fee

- 1 **Inventory**
- 2 **Level of Service Standards**
- 3 **Demand Component**
- 4 **Cost Component**
- 5 **Credit Component**
- 6 **Net Impact Fee**



Inventory

- **Capital items such as:**
 - **Buildings**
 - **Land**
 - **Equipment**



LOS Standards

- **Adopt LOS standard**
- **Same standard for existing and new development**
- **Higher standard if financial plan in place**



Demand Component

- **Consumption by land uses**
- **Equitable distribution among land uses**



Cost Component

- **Historical capital expenditures**
- **Replacement value of the inventory**
- **Planned/proposed expenditures**



Credit (Offset) Component

- **Consider future revenue from new development**
- **Consider non-impact fee revenue sources (e.g., sales tax, property tax, etc.)**



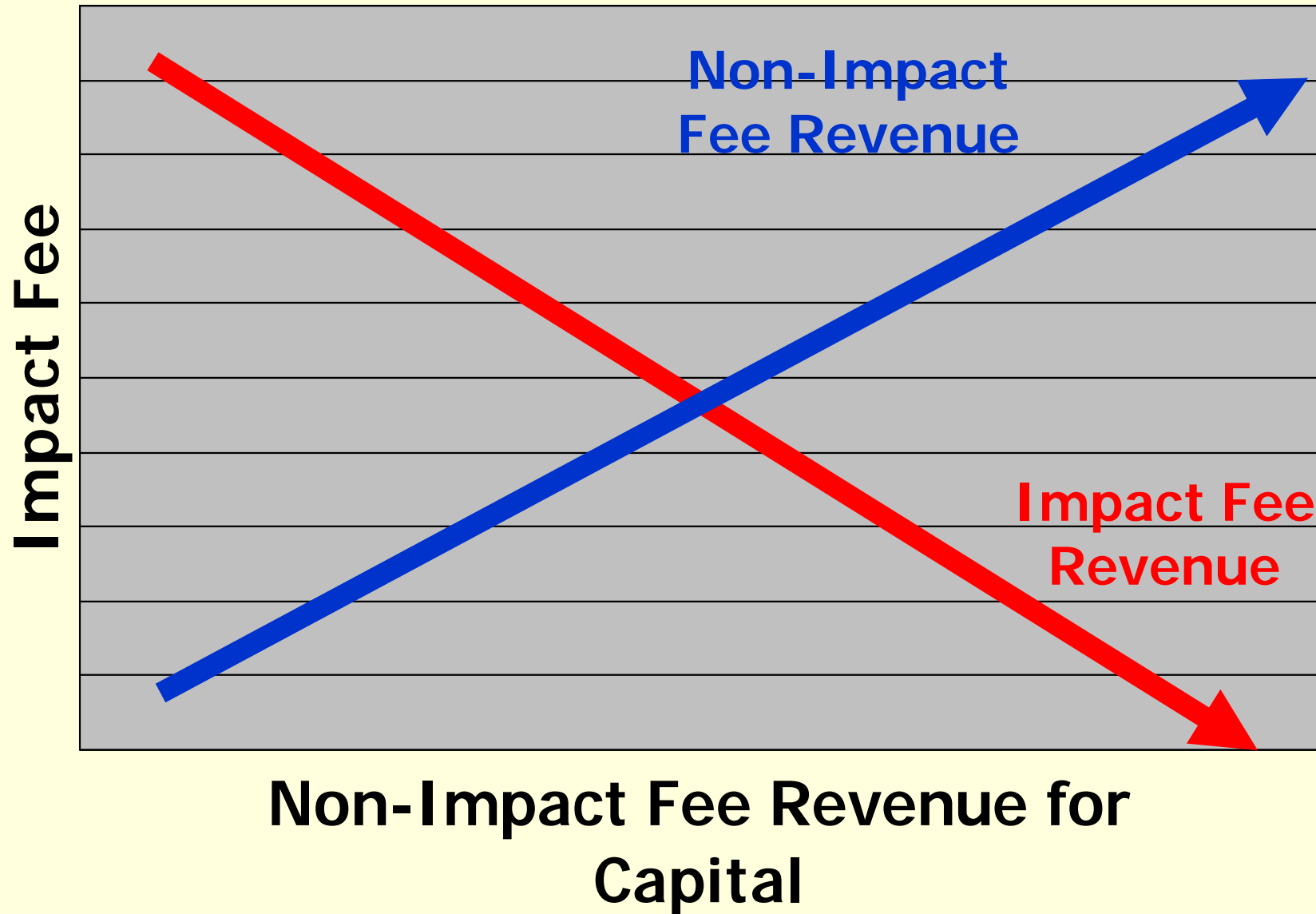
Net Impact Cost

$$\text{Net Impact Cost} = \text{Gross Impact Cost} - \text{Credit}$$

- **Distributed among land uses to determine the impact fee schedule**



Revenue Credits



Updating & Indexing

- **Update fees every three to five years**
- **Index to adjust for years between updates**
 - reasonable assumptions
 - accepted source (CPI, ENR, etc.)



Mitigating the Impact of Impact Fees

- **Across the board reduction**
- **Phased adoption**
- **Exemptions for various groups (such as affordable housing, redevelopment areas, etc.)**



THANK YOU

