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A close look at impact fees

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Impact fees sound like a good idea, don't they? I mean, after all, shouldn't new developments pay for mitigating the negative impacts on the existing community. Probably, but measuring those impacts and the cost thereof is pretty difficult.


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For instance: A new tract of homes is built and sold, but how many of them are sold to new residents? Should existing residents be charged $20,000 or so to mitigate the impacts caused by moving down the street? Shouldn't a larger home, which will house more people and thus cause a greater impact upon the community, be charged more in fees than a smaller one? It's complicated.

Oh, it doesn't matter because the developer pays the fees, you say. Not really. They just add the fees to the cost of the new house, like the cost of lumber or the kitchen sink. That $150,000 house now costs $170,000. Those fees will now be financed over thirty years. And while the owner of the older $150,000 house down the street currently pays, say $1,200 a year in taxes, the owner of the new home will pay about $1,350 in taxes plus another $1200 or so a year to pay off the impact fees.

Then another thing happens as a result of impact fees raising the cost of that new home to $170,000 - inflation of all housing costs.

The older house, of the same size, down the street, is suddenly also valued at $170,000 and the taxes are adjusted accordingly. Well, I'll be darned, try as we may to defer the cost of growth to only newer developments, in the final analysis it will cost us all anyway.

I don't mind that too much. New residential development generally impacts a community in good ways that are not often thought of. New commercial developments follow residential developments, and that means jobs. Industrial development also follows the work force, and that means jobs. That means our children can stay here and raise their families. That's not all bad.

All of this makes the old-timers very uncomfortable. Traffic is worse, we need new schools and so on. But growth is a natural occurrence, as we have children and they have children. Just as your household grows so does a community. People move away and new people move in.

Who can say which resident causes traffic congestion or crowded schools. Is it the first one to hit the road or go to school or the last one? Is it the last drop that fills the coffee cup or the first one? Surely it wouldn't be full without either.

Communities get concerned about all this and decide that impact fees are a more palatable way to pay for growth than taxes. No one likes taxes. Some honestly believe that impact fees aren't taxes. They kid themselves. If it sounds like a tax, walks like a tax, is collected from taxpayers and spent by the government, it is a tax.

Having said all this, I am still not totally opposed to impact fees as long as we don't let ourselves be fooled. We charged our share of impact fees in Simi Valley. Upon reflection, I have changed my mind somewhat since then. One thing that we must insist upon is that these fees be based on actual cost of real, and not imagined impacts, and not pulled out of thin air. They must also be kept reasonable and should be disclosed to the buyer of any home whose cost is inflated because of impact fees. But, most importantly the fees must be spent for what they were intended.

I had dinner the other night with a friend of mine from Southern California. He was a planning commissioner in Simi Valley for many years. He told me a developer has evidently reached an agreement with the City of Moorpark, an adjacent community, that will add $100,000 per unit on a planned development of expensive homes. If this agreement is finalized, it will be the most I've ever heard of. Now you know one of the reasons why housing costs are so high in California.

Californians passed a law severely limiting property taxes, so impact fees are local governments way of dealing with the funding shortfall. Had the law not been so arbitrary, and established a reasonable limit, as Nevada has, perhaps this wouldn't have happened. A $100,000 fee passed along to the buyer and financed over thirty years is a heap of taxes. Not only that, since the value of the unit purchased, on which the taxes will be determined, will include the fee, the buyer will not only be paying taxes upon taxes, but interest on top of that. The $100,000 will cost the home buyer roughly $8,000 a year for 30 years. And they can't even deduct the amount as property taxes on their federal income tax return.

So let's tread gently when imposing impact fees, and let's do so with our eyes wide open.

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