



## **OVERVIEW OF IMPACT FEES**

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Purpose of Impact Fees: To shift the costs for infrastructure and facilities needed to serve new development from general taxation to the development that created the need.

### Common Arguments in Favor of Impact Fees:

- Require new development to pay fair share of the cost of infrastructure and facility expansion
- Reduce the reliance on property taxes as a local government source of revenues
- If tied to appropriate planning and administration, can make development cost and process predictable and controllable, thus reducing anti-development sentiment

### Common Arguments Against Impact Fees:

- Owners of new development pay taxes like everyone else and should therefore have access to facilities and infrastructure like everyone else
- Increase the cost of new development (housing)
- Because impact fees are dedicated, they reduce flexibility of the governing body over the use of revenues

### Criteria for Evaluating Revenue Sources:

1. Equity
  - a. Ability to pay (vertical equity) vs. benefits received
  - b. Horizontal equity – treat similar entities equally
  - c. Intergenerational equity – today’s residents vs. tomorrow’s
2. Efficiency
  - a. In the use and provision of public infrastructure, facilities and services
  - b. In the production and consumption of housing
  - c. In locational patterns of development
3. Administration & Costs – ease of administration and associated costs to administer
4. Revenue Potential & Stability
5. Political Acceptability
6. Financial Implications on Individuals – income tax deductible vs. not
7. Legal Considerations

### Impact Fee Criteria

- Development must create a need for expanded or new facilities or infrastructure
- Imposed fees should equal the cost of new or expanded infrastructure
- Expanded infrastructure or facilities must reasonably benefit new development

### Steps in Calculating an Impact Fee:

1. Planning – financial; land use; service, infrastructure, and facility standards and levels; comprehensive planning
2. Describe and define new development potential impacts
3. Assess level and adequacy of current facilities and infrastructure:
  - a. Needed to serve existing population
  - b. Needed to serve new population resulting from development
4. Price the impact
  - a. unit cost to serve new development
  - b. credits and adjustments for taxes paid and other revenues
5. Administer the Fee
  - a. Collect and track revenues
  - b. Make and track expenditures
  - c. Develop and administer system for returning any unused fees

### Uses of Impact Fees:

The following Maine communities have either passed or studied impact fees in the past ten years: (list is not meant to be exhaustive)

- York –school impact fee
- Freeport – considered school impact fees
- Brunswick – non school impact fees
- Cumberland – recreation and open space fees
- Falmouth – considered school impact fees
- Scarborough – developed impact fee schedule for school, community service facilities, library, public safety facilities
- North Berwick – designed fee system but didn't implement
- South Portland – considered then rejected school impact fees
- Standish –considered then rejected fees
- Gray – adopted fees for open space/recreation

### Allowable uses in Maine:

May be imposed for (but not limited to);

- Wastewater and water facilities
- Solid waste facilities
- Fire protection facilities
- Roads and traffic control devices
- Parks, open space, recreational areas
- Other uses possible but impact must be demonstrated

Not allowed for operating costs