



Planning Implementation Tools

Impact fees



Center for Land Use Education

www.uwsp.edu/cnr/landcenter/

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TOOL DESCRIPTION

An impact fee is a financial tool available to Wisconsin cities, villages and towns to pay for anticipated capital costs associated with new development. Capital costs refer to the one-time cost of constructing, expanding or improving physical, public facilities such as highways or sewage treatment systems. Prior to developing or imposing an impact fee, a municipality must conduct a detailed needs assessment to determine the portion of facility costs necessitated by the new development. The impact fee may not be used to pay for inadequacies in the current system. Rather than distributing costs associated with new development among existing property owners (generally in the form of increased property taxes), impact fees are collected from the developer or property owner at the time of building permit. Impact fees do not cover operational or maintenance costs which can be significant over the lifetime of a facility.

COMMON USES

Financing of Public Facilities

Together with subdivision regulations, impact fees provide a good mechanism to ensure that new developments are adequately served by public facilities. Fees are calculated based on the size, type and location of development and anticipated public facility needs. Facilities that are eligible for financing by impact fees are strictly limited by state statute and are summarized below.

Eligible Uses for Impact Fees:

- Highways, transportation facilities, and traffic control devices
- Sewage and water treatment facilities
- Water pumping, storage and distribution systems
- Parks, playgrounds and land for athletic fields
- Solid waste and recycling facilities
- Fire, law enforcement, and emergency medical facilities
- Libraries

Ineligible Uses:

- School district facilities
- Vehicles
- Operation and maintenance expenses
- Deficiencies in existing public facilities
- Purposes other than those for which the fees were collected

(Wis. Stat. § 66.0617(1)(f))

Figure 1: Impact fees can be used to offset the capital cost of public facilities attributable to new development

Parks and athletic fields



Water facilities



Highways



Transportation facilities



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Figure 2: Comparison of local government financing tools

Local Government Financing Toolbox:

- Impact fee:** fee collected from property owner at time of building approval to cover a share of anticipated public facility improvements.
Example: fees to expand a sewage treatment plant serving a new industrial site
- Fee-in-lieu of dedication:** financial contribution imposed on a developer as a condition of subdivision approval.
Example: funds to purchase or make initial improvements to a public park serving a new subdivision
- Property tax:** annual tax levy assessed on property owners in a local taxing jurisdiction based on the value of land and improvements.
Example: tax to fund local government services, infrastructure and personnel
- Special assessment:** a special levy to fund improvements benefiting a specific area of existing development.
Example: levy to extend sewer and water service to newly annexed neighborhood
- User fee:** a fee charged to cover the use of community facilities or services.
Example: annual fee collected from residents for garbage or recycling services

IMPLEMENTATION

CREATION

Municipalities that are experiencing moderate or high levels of new development, and have a comprehensive plan and capital improvements plan in place are in a strong position to implement an impact fee program. As illustrated below, the first step is to conduct a **needs assessment** for each anticipated public facility.

Figure 3: Example Park Needs Assessment

	Population	Park Acres	Share	Cost
Current	2,500	20		
Deficiency		+5	50%	\$10,000
Projected	+500	+5	50%	\$10,000
Total	3,000	30		\$20,000

Service Level Standard: 10 park acres per 1,000 residents.

- Inventory existing public facilities – *village has 20 park acres.*
- Identify desired service level standard – *village wants to provide 10 park acres for every 1,000 residents.*
- Identify existing facility deficiencies based on service level standard – *5 more acres needed to serve 2,500 current residents.*
- Identify public facility, improvement or expansion needs based on projected growth and service level standard – *addition of 500 new residents will necessitate 5 additional park acres.*
- Estimate reasonable capital costs of anticipated facilities – *new park facilities, totaling 10 acres, will cost roughly \$20,000.*
- Subtract cost of facilities attributable to deficiencies – *\$10,000 is attributable to deficiencies and \$10,000 to new development.*
- Calculate impact fee based on anticipated growth – *\$10,000 divided among 250 anticipated new homes is \$40 per home.*

Many communities opt to hire a planning consultant to conduct the needs assessment and draft the impact fee ordinance. The ordinance usually includes a purpose section, definitions, fee schedule, exemptions, and procedures for appeal, refunds or amendments. A class 1 notice and public hearing are required prior to adopting the ordinance.

ADMINISTRATION

For impact fee ordinances enacted after January 1, 2008, impact fees must be collected at the time building permits are issued. Collected fees are placed in separate interest-bearing accounts and must be used within ten years for the capital improvement originally specified. If fees are not used within this time period they must be refunded with interest to the current property owner. This time period may be extended up to three years based on written documentation of hardship or extenuating circumstances. Detailed accounting records are necessary in case the impact fee is appealed or refunded. A five-year capital improvement plan should be maintained to anticipate future public improvements and regularly update the fee schedule.

Report Card: Impact Fees

Cost	Money or staff resources required to implement tool.
A	Staff and monetary resources are needed upfront to create an impact fee program. A consultant may be required to assist with creating the public facilities needs assessment, capital improvement plan, or fee schedule. Assessment of fees can be tied to an existing permitting process, thereby reducing staff time and costs. Impact fees pay for capital costs of public facilities but do not cover operation or maintenance costs.
Public Acceptance	The public's positive or negative perception of the tool.
B	Existing residents are generally supportive of impact fees because they limit tax increases due to new development. Developers, new homebuyers and businesses are generally less supportive because they must pay the impact fee. Those that feel the impact fees are too high could locate elsewhere.
Political Acceptance	Politician's willingness to implement tool.
B	Politicians that are faced with increasing development costs and limited revenues are generally willing to examine the use of impact fees. Approximately one hundred Wisconsin municipalities administer impact fee programs, showing they are well-accepted.
Equity	Fairness to stakeholders regarding who incurs costs and consequences.
A	Impact fees benefit local communities by providing income without raising local taxes. While they do not alter the total cost of providing services or infrastructure, they shift capital expenses from taxpayers-at-large to the developers and new homebuyers generating the costs. Depending on market conditions, studies show that impact fees can increase the cost of new housing or restrict housing supplies. However, state statutes allow communities to reduce or eliminate fees for low-cost housing. To be considered equitable, impact fees must be closely tied to development costs.
Administration	Level of complexity to manage, maintain, enforce, and monitor the tool.
A	The difficulty of administering an impact fee ordinance varies with the pace of new development, the clarity of local ordinances, and the reasonableness of local fees. Fees are generally considered reasonable if they are based on a needs assessment, bear a rational relationship to a need resulting from the development, and recover a proportional share of the capital costs of new facilities.
Scale	The geographic scale at which tool is best implemented.
Municipal	Only cities, villages and towns may use impact fees in Wisconsin. (2005 Wisconsin Act 477 prohibited county use of impact fees).

GRADING EXPLANATION

A - Excellent

B - Above Average

C - Average

D - Below Average

F - Failing

Grades are subjective ratings and should be considered in light of local circumstances.

WISCONSIN EXAMPLES

Figure 4: Average development fee for single-family dwelling units in Wisconsin, 2006

Facility	#	Ave. Fee
Fire/EMS	21	\$474.20
Library	15	\$454.39
Park/Rec. ¹	80	\$937.42
Police/Law	17	\$339.98
Transportation	5	\$402.67
Stormwater	6	\$1,557.50
Sewer ²	53	\$2,414.55
Water ³	33	\$1,438.82
Other	18	\$415.88
Total	91	\$3,207.34

= number of communities with fees out of 112 surveyed.

¹ Includes Park Impact Fee, Fee-in-lieu of Parkland Dedication, Bike/Ped. Trail Fees and Park Development Fees.

² Includes Sewer Impact Fee, Sewer Connection Fee and Sewer RCA Fees.

³ Includes Water Impact Fee and Water Connection Fee.

Village of Campbellsport

The Village of Campbellsport in Fond du Lac County adopted water and wastewater impact fees in February 2006. The fees are assessed based on water meter size and are due prior to the issuance of building permits. A typical residential meter less than one inch in diameter is charged a fee of \$1,850 to cover water and wastewater facilities. Larger meters, associated with more intense development, are assessed between \$4,625 (for a one inch meter) and \$148,000 (for an eight inch meter). Rates are determined based on standards developed by the Wisconsin Public Service Commission and a needs assessment. Exemptions are available for low-cost housing.

Figure 5: Village of Campbellsport Water Tower



Village of Menomonee Falls

The Village of Menomonee Falls in Waukesha County requires impact fees for sewers, water facilities, parks and other public facilities outlined in its capital improvement plan. The village also maintains a program that provides developers and landowners with credits for the voluntary dedication of land, physical improvements, or construction of public facilities necessitated by the development. The credits directly offset the cost of impact fees normally charged to the landowner. (See Sec. 42-159 of the Village Code)

FOR MORE INFORMATION

Libby, Lawrence W. and Carmen Carrion. 2004. *Development Impact Fees*. Ohio State University Extension Factsheet CDFS-1558-04. Available at: <http://ohioline.osu.edu/cd-fact/1558.html>.

Nicholas, James C., Arthur C. Nelson, and Julian C. Juergensmeyer. 1991. *A Practitioner's Guide to Development Impact Fees*. Chicago: Planners Press.

www.impactfees.com – An online impact fee resource provided by Duncan Associates. Includes frequently asked questions, state and local links, surveys, publications, case law, and other resources.

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