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Impact Fees Talking Points

Here are some general talking points defining impact fees and their affect as well as outlining some innovative alternatives. These points can be used in part or as a whole for presentations and meetings.

- Impact fees, where they are applied, are supposed to be based on the direct need, or "impact," created by a new development. Impact fees are supposed to be applied to the provision of infrastructure -- roads, schools, water and sewer, etc. -- in proportion to the impact of the new homes being built.
- But in some places, the money collected through impact fees is spent on local needs that have little relationship to the actual impact of the development.
- Impact fees are one of the least efficient, least dynamic ways to finance infrastructure.
- Impact fees are often miscalculated and illegally applied to fund infrastructure facilities that are different from those for which the funds were collected.
- Impact fees are often illegally applied to fund the maintenance of existing infrastructure.
- Impact fees are an unreliable source of revenue that rises and falls with the construction cycle.
- As an undependable source of revenue, communities cannot leverage impact fees by borrowing against them.
- Impact fees make the local jurisdictions dependent on development as a means of funding needed infrastructure.
- There is a significant delay between the time impact fees are paid and the infrastructure is developed.
- Impact fees, as a form of exaction, must conform to constitutional principles such as "essential nexus" and "rough proportionality" that have been elaborated in court opinions.
- Fortunately, there are innovative alternatives, ranging from alternative financing mechanisms to privatization of infrastructure development and operation.
- New ways to get infrastructure built include design-build strategies, public-private partnerships and small-scale water and wastewater systems. Innovations in long-term management of infrastructure include asset sales, privatization, and competitive contracting of operations.

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