Reductions in impact fees and exactions overview

Communities use impact fees and other exactions to address the need for new public infrastructure, facilities, and other capital improvements associated with new development.

Impact fees and other types of exactions are assessed on developments as a condition of approval of a proposed project, but they take slightly different forms. Impact fees are monetary payments made to the local jurisdiction. The fee amounts are specifically calculated to cover the cost of the infrastructure improvements needed to serve new residents. The use of revenue generated by impact fees is restricted by law only for this purpose. Other exactions may be less directly linked to a specific project, and can range from cash payments to cover the cost of necessary improvements to land donations for new facilities, such as schools or police stations, or on- or off-site physical improvements.

Impact fees can help to increase the supply of housing by enabling new development in locations that would otherwise lack the infrastructure to make it possible. However, in some places the cost of the fee or exaction may necessitate a reduction in land prices or an increase in rents or home prices that go beyond what developers believe the market will bear. This scenario may lead developers to pursue projects in other jurisdictions where development costs are lower and the economics are more favorable. Cities seeking to foster new residential development can examine their impact fee structure or exactions law to determine whether it can be lowered without compromising the availability of sufficient infrastructure.