



Development Impact Fees 101 March 30, 2018

Introduction: Why Look at Fees?

The Mountain Housing Council of Tahoe Truckee (MHC) is a coalition of 29 diverse stakeholders working to accelerate solutions for local achievable housing in North Tahoe - Truckee. The Council is focused on identifying barriers and developing solutions to move the needle on a range of housing types for those that live and work in the region.

One common perceived obstacle is that development impact fees are a barrier to building local achievable housing in the region; from single-family projects to larger apartment type products. Another perceived challenge is (North) Tahoe - Truckee's complex impact fee landscape which has 18 fee charging government entities/special districts with unique development requirements and impact fees.

The MHC's Fee Work Group, comprised of over a dozen regional fee-charging agencies, is currently working to define strategies and approaches to impact fees that could potentially encourage projects serving the low income to missing middle (up to 195% AMI) brackets. In the meantime, the MHC's following document, *Fees 101*, will build a better understanding of the fee landscape both at the local and state levels.

Understanding Development Impact Fees

What are Development Impact Fees?

Development impact fees are payments imposed on all new residential and commercial construction by local governments and special districts. The fees typically require advanced cash payments and are based on a methodology and calculation derived from the cost of the facility or service, as well as the nature and size of the development.¹

What are the Fee Payments Used for?

Impact fees pay for the cost of growth's "impact" on vital services and infrastructure needs such as schools, parks, capital facilities, roads, ambulance, and fire service. The fee payments are reserved to finance improvements offsite of, but to the benefit of, the new development.

National to Regional Perspective

National surveys show California leads the nation in imposing fees on new residential development, with fees averaging \$31,014 per standard single-family unit; Maryland is the next highest at \$16,557.² Falling in line with the statewide average, in North Tahoe - Truckee

¹ APA Policy Guide on Impact Fees, American Planning Association, 1997

² Home Building Impact Fees: State Averages, Eye on Housing, 2014



development fees for typical 3-bedroom single-family units range from \$24,000 to \$47,000, depending on the fee schedules of the service providers where the new development is located.

Historical Background

Prior to the adoption of Proposition 13 tax reform in California in 1978, California cities and counties used property taxes to finance infrastructure — such as roads, schools, and parks — for residential development. With the passage of Proposition 13, property tax value was rolled back and frozen at the 1976 assessed value. Property tax increases on any given property were limited to no more than 2% per year as long as the property was not sold.³

The financing of infrastructure for new homes in California is no longer shared by all property owners in a community, but is borne instead, in varying degrees, by developers and new home buyers. With the significant loss in property tax funding, cities and counties have had to find other ways to finance infrastructure.

To fund necessary new infrastructure, developers may be required to pay impact fees, in-lieu fees, dedicate land for public uses, construct and dedicate infrastructure, and fund or provide ongoing maintenance for infrastructure and public services.⁴ To alleviate the burden of up-front infrastructure costs, developers may use State-authorized financing mechanisms in concert with a local agency to sell bonds which are then repaid by the homeowner over time.

From a homeowners' perspective, the difference between bonds and developer payments is one of visibility. When new homeowners pay off a bond issued to finance their infrastructure, they are acutely aware of the cost, because bonds are included in their property tax bills.

Developer payments, however, are invisible because the home buyer will not know what fees were levied against the developer or how much of the costs have been passed on to the buyer in the form of higher home prices.

In order to maintain current level of services and needed future infrastructure, development fees are necessary unless another source of funding is identified, but many alternatives require shifting the cost burden to tax payers making this an unpopular choice.

The matrix shown below summarizes the types of development impact fees that are collected in our region at building permit or certificate of occupancy. Also included in the matrix are regulatory fees, which are required to be paid at building permit with development impact fees.

³ What is Proposition 13, California Tax Data, Accessed 2018

⁴ Development Fees and New Homes: Paying the Price in California, Public Policy Institute of California, 1997



Matrix of Regional Development Fees

	County/Town Building Department Fees	Mitigation Act "AB 1600"	Connection	In-Lieu	School Fees	Tahoe Regional Planning Agency (TRPA)
What are they for?	Regulatory Fees	"Mitigate" the cost of development on public facilities	Development pays for buy-in of existing facilities and future facilities	Provides developer the alternative of paying a fee rather than building the facility or inclusionary housing	Development fees for the construction of schools.	TRPA preserves, restores, and enhances the unique natural and human environment of the Lake Tahoe Region.
Authorizing Statute	CA Code 66014	CA Code 66000	CA Code 66013	Court rulings have upheld the legality of in-lieu fees	CA Education Code 17620	CA Code 67121
Authority to Collect	Police power of cities and counties	Police power of cities and counties; special districts must request the city or county collect on their behalf	Health and Safety Code 5471	Police power of cities and counties	School districts can collect directly or have arrangement for city or county to collect on their behalf	Agency may fix and collect fees for any services rendered by it
Other Details	Fees may not exceed the estimated reasonable cost of providing the service for which the fee is charged	Nexus must be shown between the fee and the facilities the fee will fund	Fees shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed	Must be a reasonable relationship to a legitimate public interest and enhance public welfare	Maximum fees set by the State Allocation Board (SAB)	Only applicable within the Tahoe Basin
Examples	Building Permit, Plan Review, Inspection	Library, Traffic, Recreation, Fire	Water and Sewer Connection	Inclusionary Housing and Workforce Housing	Development fee per square ft of new residential development	Air and Water Quality Mitigation, Administrative