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Discussing Lincoln's future: Impact fees

By The University of Nebraska Public Policy Center

Editor's note: This summary of the impact-fee issue in Lincoln will be given to people selected to take part in a Feb. 24 forum on the future of Lincoln. It was written by the University of Nebraska Public Policy Center.

As a city grows, so must its services.

How is such growth paid for?

In early 2003, the Lincoln City Council approved an ordinance authorizing impact fees on new development in Lincoln.

The fees are designed to place some of the burden of expanding such infrastructure as streets, water lines and sewers on land developers rather than property taxpayers.

In Lincoln, developers pay impact fees when they apply for new building permits.

As opposed to using other sources of revenue, the fees paid by developers help support the infrastructure development necessitated by growth. The debate over impact fees highlights key questions about whether their effects are good or bad, as well as issues of equity.

Arguments for impact fees

Supporters argue that impact fees cover what property taxes cannot: the full cost of expanding infrastructure with continuing growth. Prior to passage of the impact fees ordinance, it was anticipated that Lincoln would not have adequate financial resources to pay for infrastructure needs of new development. With impact fees, new infrastructure costs can be financed in addition to the maintenance and repair of existing neighborhoods.

Supporters also say the fees lower the property-tax burden on Lincoln residents, and that low- and middle-income buyers are exempt.

Generally, they argue, impact fees create an equitable and consistent standard for the amount of money developers contribute to pay for infrastructure.

Arguments against impact fees

Opponents assert that impact fees burden low- and moderate-income home buyers. Although impact fees technically are levied on builders and developers, they say the costs are passed along to the home buyer in the form of higher home prices. Opponents cite reports indicating that the cost of a new single-family home may increase by at least \$2,800 as a result of impact fees.

Additionally, some opponents argue that impact fees are a general drag on the local economy. They argue the fees take money that could be invested in new commercial projects, stifling opportunities and driving job growth to impact fee-free communities.

In response to this concern, the Lincoln City Council passed measures that allow relief from impact fees for companies that create a certain amount of jobs or make other economic investment in the city.

Also, developers say impact fees drive development outside the city, creating several smaller communities immediately outside of Lincoln. Local and county planners have tried to avoid the creation of such suburban sprawl by keeping development within the city limits.

Impact fees are not the only means to finance road repair, construction and other forms of infrastructure development. Property taxes, sales taxes and vehicle registration fees, among others, are alternatives.

To many, it is a question of equity. [Who should pay for Lincoln's infrastructure growth?](#) Related to that crucial question is another: Who benefits from Lincoln's infrastructure growth?

