

Impact fees and growth

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According to a story in the Sept. 13 edition of The Frederick News-Post, Brunswick may join Frederick County, Middletown, Thurmont and Frederick by instituting an impact fee on new housing units.

Impact fees are designed to fund the costs associated with housing growth, and may be put to a variety of funding uses, including schools, libraries, roadways, water/sewer, parks and fire/police.

There's no argument that new households require expansion or upgrades of public services. There is some disagreement, however, on who should pay for them. With standard impact fees that are tacked onto new homes, the homebuyer ends up footing the bill. Many people believe that's as it should be, arguing that those who create the need for the service should pay for it.

But like most issues associated with taxes and growth, this one isn't all black and white. Representatives from the local home construction and real estate industries were interviewed for the News-Post's story on Brunswick, and both Bryan Patchan and Terry Fox have issues with impact fees.

Patchan is executive officer of the Frederick County Builders Association, and Fox is president of the Frederick County Association of Realtors -- two important industries in the local economy. For them and all those associated with those industries, tacking impact fees directly onto the price of new houses is bad for business. The additional cost of the homes may affect sales, and Fox says it also encourages prospective buyers to look at existing homes, whose price tags don't include impact fees.

Fox doesn't dispute that impact fees are necessary, but does argue that the cost of growth via new home construction would be better, and perhaps with less impact -- if we may phrase it that way -- borne by a "broad-based tax." She also says a tax revenue generated by that method would be more consistent than an impact fee that is dependent on new-home sales.

The News-Post story quotes some national figures on impact fees. According to those stats, 60 percent of all cities with more than 25,000 residents, and 40 percent of all metropolitan counties, have such fees. That's a fairly even split between cities and counties that put the burden of paying for growth on those who create it, and those who handle the costs of growth by spreading it among a wider base of residents.

Impact fees on new construction might function as one mechanism for controlling the rate of growth in a jurisdiction. The additional cost that an impact fee adds to the price of a new home would, in theory, tend to dampen sales. Conversely, having that fee paid by a wider base of taxpayers instead of the home buyer, would not have a negative effect on new home sales.

How individual jurisdictions approach this subject may be, in part, determined by their growth goals. If they seek growth to, for example, broaden their tax base or enhance economic activity, they may opt against impact fees. If slow, controlled growth is their aim, they may adopt impact fees to that end.

It will be interesting to see what Brunswick's impact fee study recommends, and whether the city adopts those recommendations.

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