

# TRANSPORTATION IMPACT FEE

## Description

A Transportation Impact Fee is charged by the local municipality to new development projects. This one-time fee is used to pay for capital improvements needed as a result of the new development (such as added capacity to the local streets). The fee attempts to repay a portion of the cost local entities encounter providing the facilities needed to service the new development.



Shadow Creek Ranch, Pearland, Texas

## How Will This Help?

- **Ensure new development is “paying its own way”** – In recent years, many Texas communities experienced significant population growth. Local officials in these communities often claim deteriorating roadway infrastructure and dwindling revenues are a result of the strain caused by this new growth. Consequentially, tax payers in the community are left “picking up the tab” for the ensuing infrastructure improvements. Transportation impact fees would help ensure that developers of that land would be responsible for paying for some of those improvements.
- **Provide additional funds for transportation** – Creating transportation impact fees would provide funds to counter the cost of servicing new developments with adequate access.
- **Reduce need for borrowing** – Texas has increasingly turned to debt mechanisms such as bonds as a way to finance transportation improvements. Texas could help slow a growing trend of using the “credit card” to pay for roadway projects by allowing for the use of transportation impact fees.
- **Beneficial to smaller or rapidly growing communities** – In smaller communities, the revenue required to support new development may not be available. The use of impact fees enables the development to proceed even when the local government cannot pay for the necessary infrastructure immediately. Impact fees can be a viable means to finance the variety of service needs created by growth.

## What’s the Down-Side?

**Additional fees may dissuade new businesses** – A traffic impact fee will only apply to developments within a local entities jurisdiction. This additional fee may detract new developments and slow economic growth.

**Revenues are economically driven** – The amount of revenue created is dependent upon the amount new development in the area. If economic growth slows, the revenues will decrease.

## Implementation Issues

- Moderate cost to implement.
- Texas Local Government Code sets out steps for local municipality to implement impact fees.
- Voters/users would need to be educated regarding the costs and benefits.

## Did You Know?

- Florida’s Broward County assessed the first impact fee in 1977.
- Currently 36 states allow for Traffic Impact Fees.
- Texas Impact Fees are discussed in chapter 395 of the Local Government Code.