

# **Can Impact Fees Help Build Sustainable Communities?**

**Gregory S. Burge and Keith R. Ihlanfeldt**

**Abstract:** Sustainable development is generally defined as growth that meets the need of present generations without compromising the ability of future generations to also meet their needs. Without effective management, rapid development can compromise the adequacy of communities' infrastructure systems, lead to budget deficits/debt, and lower the quality of the local environment. If so, future residents may bear some of the burden of current decisions. In general, the best outcomes occur when decision makers face prices that reflect the full costs and benefits of their actions. This paper investigates the fiscal and environmental externalities associated with rapid growth and connects each to local sustainability. We investigate the idea that properly structured impact fee programs can internalize dynamic externalities and enhance sustainability. We argue most impact fee programs already address the sustainability of budgetary positions and physical infrastructure systems, and comment on the obstacles that must be overcome before they can effectively address local environmental externalities.