

## CHILE

### SANTIAGO — DEVELOPMENT / IMPACT FEE

LAND VALUE  
CAPTURE

## Impact fee

### DESCRIPTION

Impact fees charged to developers of a new urban area to finance a regional highway road.

### LOCAL GOVERNMENT INVOLVED

Municipal government

### INSTITUTIONAL AND REGULATORY FRAMEWORK

Municipalities have extended responsibilities, but limited sources of income, mainly coming from the property tax and vehicle registration fee, with no autonomy on tax rate or base. They have also access to borrowing.

### TRACK RECORD OF THE USE OF THIS INSTRUMENT

In the 1990s, two rapidly growing municipalities in the Santiago metropolitan region introduced impact fees on developers to finance roads linking subdivision development to the rest of the roadway network. At the end of the decade, impact fees were experimented on a larger scale, in an area where fourteen major real estate projects were approved for development to build 40,000 new additional households to the metro region by 2010. A 21-kilometer radial highway connecting to the development region was to be built under the government's infrastructure concession program, together with additional roads, and the total impact (external costs) of new development on the regional road infrastructure was estimated at US\$106 million, initially to be covered integrally by the developers, exempting low income developments. The government ended up paying 39% of the bill. Overall supervision of the mechanism passed from municipal supervision to government management with the increase in scale and the multiplication of municipalities involved. This mechanism was not replicated afterwards, probably because there were more financing options at the national level, including borrowing and user fees.

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## STAKEHOLDERS INVOLVED

Even though it has been used to pay internal development fees, developers resisted the tool, because it translated in direct costs that couldn't be repercutated on the real estate prices as the infrastructure impact was much less direct than more directly correlated infrastructure. Municipalities used the tool because they had no financing alternatives, but as the program was taken over by the government the financial constraint loosened.

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## ANALYSIS AND ASSESSMENT OF THE TOOL

**Key success factors:** Developers used to pay development fees (even though they were very reluctant to be charged impact fees, and it may have been a reason why this mechanism has not been replicated). Chili has a very good planning capacity, which gives credibility on impact calculations, and regularoty planning is quite effective.