

Impact Fee Deferral Programs

2021 JLARC STUDY

In 2015, the Legislature directed counties, cities, and towns to adopt an impact fee deferral system for new single-family residential construction. The legislation also directed a JLARC review.

Deferral use has been infrequent and concentrated in 5 local governments

IMPACT FEES are one-time charges that help finance public facilities.

DEFERRALS allow builders to pay after construction instead of when permits are issued.

98 out of 107 local governments have deferral programs

107 local governments collect impact fees and are required to have deferral programs in place. Of those:

- ▶ 98 implemented a program and 9 did not.
- ▶ 22 local governments issued 3,741 deferrals.
This includes:

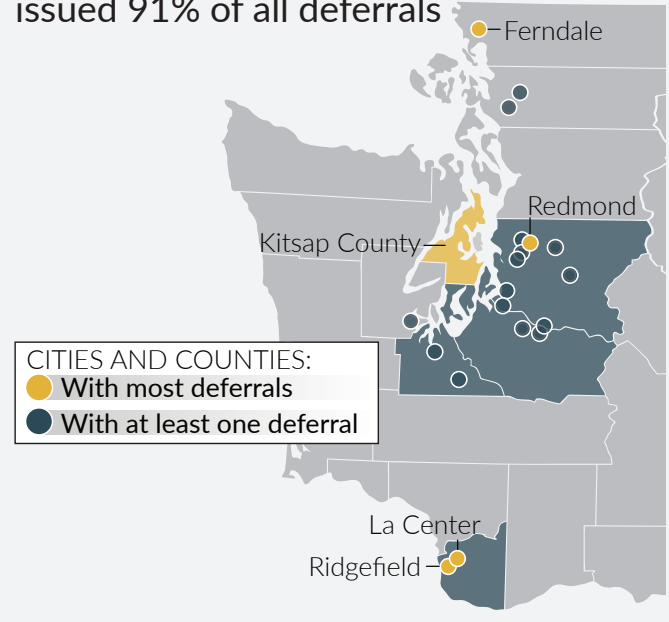
1,236 PARK IMPACT FEES

207 FIRE IMPACT FEES

1,189 TRANSPORTATION IMPACT FEES

1,109 SCHOOL IMPACT FEES

Redmond, La Center, Ridgefield, Ferndale, and Kitsap County issued 91% of all deferrals



Few adverse effects: 99.9% of the deferrals were repaid on time

\$11 MILLION

The total amount of fees deferred between 2018-2019.

\$13,000

The total amount not paid on time.

Statute requires a lien to be recorded against the property in the amount of the deferred fees

Stakeholders report that the lien requirement may be unnecessary. Other controls like withholding final inspection or certificate of occupancy may help ensure deferred fees are paid.

Financial benefit of deferrals could increase if market conditions change in the future



In today's housing market, models estimate cost savings of no more than \$1,500 per home.



Financial benefit of deferrals is influenced by the amount of impact and deferral fees, interest rates and deferral periods.

Commerce is directed to monitor future use of deferrals. Since deferrals are not widely used and few issues have been reported, ongoing monitoring by Commerce may be unnecessary.

LEGISLATIVE AUDITOR'S RECOMMENDATION

- Cities without deferral programs should pass an ordinance to adopt and maintain deferral programs as required.
- The Legislature should consider whether liens are a necessary tool to ensure that deferred fees are paid.
- The Legislature should either repeal or revise Commerce's data collection on deferral use.

The complete report is on the JLARC web site: www.leg.wa.gov/jlarc

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