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.

**2021 JLARC STUDY**

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

For more information, contact: Keenan Konopaski, Washington State Legislative Auditor
keenan.konopaski@leg.wa.gov • (360) 786-5187

---

**Impact Fee Deferral Programs**

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

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.

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.

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

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.