

2021 Impact Fee Deferral Report



Submitted pursuant to RCW 43.31.980

**LOCAL GOVERNMENT DIVISION
GROWTH MANAGEMENT
SERVICES**

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Report to the Legislature

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Acknowledgments

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Introduction

Authorizing legislation

Per RCW 43.31.980, the Department of Commerce (Commerce) must report annually on the deferral process for impact fees as follows:

(1) Beginning December 1, 2018, and each year thereafter, the department of commerce must prepare an annual report on the impact fee deferral process established in RCW 82.02.050(3). The report must include (a) The number of deferrals requested of and issued by counties, cities, and towns; (b) the number of deferrals that were not fully and timely paid; and (c) other information as deemed appropriate.

(2) The report required by this section must, in accordance with RCW 43.01.036, be submitted to the appropriate committees of the house of representatives and the senate.

Commerce published its first report in 2018. This is the fourth annual report.

Background

During the 2015 session, the Washington State Legislature passed Senate Bill 5923, which in part established a deferral program for impact fees.

Local governments fully planning under the Growth Management Act (GMA) can collect impact fees for fire protection facilities, transportation facilities, parks and schools. Local governments can chose to charge different rates for different classes of construction, such as residential, commercial and retail. Local governments can also chose to collect impact fees on only a single type of construction. Except under specific circumstances, a local government must refund fees not expended or dedicated within 10 years of collection.

All local governments imposing an impact fee were required to establish an impact fee deferral program by Sept. 1, 2016.

The deferral program applies to builders. Local governments can allow for a minimum of 20 deferrals of single-family homes built per year by a builder, and have the option to permit more. The deferral can last no longer than 18 months. At minimum, the local government must offer builders at least one of the following options to defer collection of the impact fee payment:

- Payment of the final property inspection
- Issuance of a certificate of occupancy or similar certificate
- Closing of the first sale of the property occurring after issuance of the applicable building permit

Report methodology

Commerce collected data for this report using SurveyMonkey in October 2021. There were 17 questions.

- Planning directors, permitting departments and city administrators were notified of the survey by email.
- Non-respondents received a reminder email in the third week of October.

Survey responses

Commerce sent the survey to 200 cities, towns and counties. Of those, 104 responded (52% response rate). Sixty-two respondents required impact fees. Thirteen local governments reported issuing deferrals.

The future of impact fee deferral reporting

In 2021, the Joint Legislative Audit and Review Committee (JLARC) completed its report on the Impact Fee Deferral Program. They provided three recommendations:

- Jurisdictions without a deferral program should pass an ordinance to adopt and maintain deferral programs as required by statute.
- The Legislature should consider whether liens are necessary to ensure that deferred fees are paid.
- The Legislature should either repeal Commerce's data collection requirement or identify specific measures Commerce should collect for ongoing program oversight.

On October 21, 2021, Commerce Director Lisa Brown responded to JLARC:

- Commerce concurs with JLARC's recommendation that cities without a deferral program should pass an ordinance to adopt and maintain deferral programs as required by statute.
- Commerce concurs with JLARC's recommendation that the Legislature should consider whether liens are necessary to ensure that deferred fees are paid.
- Commerce partially concurs with JLARC's recommendation that the Legislature either repeal Commerce's data collection requirement or identify specific measures Commerce should collect for ongoing program oversight.

Commerce supports the repeal of the data collection requirement. JLARC's 2021 [study](#) identifies:

- Ninety-eight jurisdictions offered deferrals.
- Five of these jurisdictions accounted for 91% of the issued deferrals.
 - Ferndale
 - Kitsap County
 - La Center
 - Redmond
 - Ridgefield
- These five jurisdictions issued only 8% of the single-family building permits.
- Less than 5% of eligible permits were issued with deferral programs.
- Local governments report that 99.9% of deferred fees were paid on time.

This data shows that builders rarely request impact fee deferrals. We also see that deferral programs have a limited impact on affordability, likely due to relatively low costs that must be carried by developers for the impact fees until project completion. Commerce sees no risk in discontinuing data collection. Staff resources currently needed to perform survey requirements can be better used elsewhere.

Deferral data

Table 1: Total deferrals by type of impact fee

Type of impact fee	Deferral requested	Deferrals issued	Deferrals not paid fully or on time
Fire protection facility	3	3	0
Parks	487	487	0
Schools	426	426	0
Transportation	478	478	2
Total impact fees	1,394	1,394	2

Table 2: Fire protection facility impact fee deferrals

Jurisdiction	Deferrals requested	Deferrals issued	Deferrals not paid fully or on time
Auburn	2	2	0
Battle Ground	1	1	0
Total	3	3	0

Table 3: Park deferrals

Jurisdiction	Deferrals requested	Deferrals issued	Deferrals not paid fully or on time
Auburn	2	2	0
Battle Ground	1	1	0
Bellingham	23	23	0
Carnation	1	1	0
Ferndale	59	59	0
Kitsap County	226	226	0
La Center	20	20	0
Olympia	48	48	0
Ridgefield	105	105	0
University Place	2	2	0
Total	487	487	0

Table 4: School facility deferrals

Jurisdiction	Deferrals requested	Deferrals issued	Deferrals not paid fully or on time
Auburn	2	2	0
Battle Ground	1	1	0
Bellingham	23	23	0
Carnation	1	1	0
Clark County	1	1	0
Ferndale	59	59	0
King County	3	3	0
Kitsap County	226	226	0
La Center	20	20	0
Olympia	19	19	0
Ridgefield	71	71	0
Total	426	426	0

Table 5: Transportation deferrals

Jurisdiction	Deferrals requested	Deferrals issued	Deferrals not paid fully or on time
Auburn	2	2	0
Battle Ground	1	1	0
Bellingham	23	23	0
Carnation	1	1	0
Clark County	1	1	0
Ferndale	59	59	0
Kitsap County	226	226	0
La Center	20	20	0
Olympia	48	48	0
Ridgefield	81	81	0
Shelton	11	11	0
University Place	5	5	2
Total	478	478	2