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Impact fees for new homes do more harm than good

On Wednesday at 6 p.m., the Thurston County commissioners will be holding a public hearing on imposing impact fees on potential homebuyers in Thurston County.

Since the recession and housing crisis began, our local jurisdictions have seen drastically reduced revenues. The most dramatic revenue losses have been associated with the construction and real estate industries.

In many cases, reduced revenues from construction and real estate losses have forced local governments to make significant cuts in public services and programs. With the dramatic drop in building permits, most local governments who collect impact fees have seen impact-fee revenue greatly reduced.

In light of this recent experience, and in recognition of the ongoing economic struggles facing this county, the Olympia Master Builders urge the Thurston County commissioners to vote against implementing impact fees.

An impact fee is a fee charged by government entities to cover the cost of infrastructure and related services related to building a new home. A fee can be charged for parks, traffic, schools and fire. Although impact fees are lawful, they remain fundamentally inequitable.

The reality of impact fees is that they are a tax placed on a small segment of the population – the segment purchasing new homes. Many people who purchase new homes are simply relocating within the same community, creating no additional growth or impact. The same burden is not placed upon a family renting or purchasing a pre-owned home, even if they come from outside of the area.

During a June 8, 2012, White House news conference, President Barack Obama stressed the importance of strengthening the housing market and putting construction workers back to work because of the importance to the stabilization of the economy and job growth.

Pure and simple, the housing industry creates jobs, not just in construction but also in other industries providing products and services to homebuilders and homebuyers. A 2008 National Association of Home Builders (NAHB) study estimated that building an average new single family home created 3.05 jobs.

The same study listed that \$100,000 spent on residential remodeling created 1.11 jobs. Any action that depresses the struggling housing industry recovery, such as imposition or increase of impact fees, will result in the continued loss of thousands of jobs.

In addition, homebuilding and remodeling generate other revenue for federal, state, and local governments. These revenues include Social Security taxes paid on wages, sales tax on building material and permits and fees builders pay local jurisdictions.

The 2008 NAHB study estimated that for an average new single-family home \$89,216 is paid in taxes and fees and for every \$100,000 in residential remodeling \$30,217 is paid.

Building or remodeling a home also creates a ripple effect in a local economy. Construction workers spend money earned on local goods and services. New residents in the new home spend about three-fifth of their income on local goods and services. In addition, the average household pays about 1.25 percent of its income to local government when they pay taxes.

The fees being proposed by Thurston County range from \$7,500 per single family home built in the Tumwater Urban Growth Area to \$2,697 per single family home in the Northwest portion of the county. This impact fee is in addition to the permits, fees and taxes already being paid and is ultimately paid for by the homeowner in the cost of their home and if the home is financed it is being paid with interest.

Impact fees price potential homebuyers out of the market. According to the NAHB Impact Fee Handbook (2008), every \$1,000 worth of impact fees prices about 265,000 households nationwide out of the new home market.

Thurston County should be considering stable and more equitable revenue sources to fund public infrastructure improvements. Simply put, we believe the experience of the past few years call into question the continued viability and equity of local governments relying on the Growth Management Act impact fees as a source of funding.

We believe local governments imposing impact fees so development would “pay its own way” failed to take into consideration the broader range of benefits new development brings to a community.

Imposing impact fees in Thurston County will do nothing to help bring our local economic engine into recovery or create jobs in this community.

James Peterson is the 2012 president of the Olympia Master Builders, and owner of Lanza Construction LLC.