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Business Matters

A ten-part series on resolving Washington's anti-business climate

"We will do everything in our power to guarantee a thriving, environmentally-sustainable business climate." – Governor Gary Locke –

Part 8: Repealing the negative effect of impact fees

When Boeing decided to increase productivity and expanded its Everett plant, state officials nonchalantly charged a $50 million impact fee for the company's efforts. Never mind that the permit process alone for this project took 2 ½ years. One must wonder how long our state's businesses will continue to subject themselves to this perverted fee system that punishes them for attempting to grow our economy. In Boeing's case, it appears to be not much longer.

Though framed around the belief that "growth should pay for growth," impact fees, like the ones levied against Boeing, fail to take into consideration that growth already pays for itself by increasing the tax base of the community and by generating new revenue. Impact fees serve as nothing more than a tack on tax that punishes new businesses for wanting to provide jobs and services in a given community.

Impact fees first appeared in Washington as a result of the state's GMA act of 1990. RCW 82.02.090 sec. 3 defines these fees:

"Impact fee" means a payment of money imposed upon development as a condition of development approval to pay for public facilities needed to serve new growth and development, and that is reasonably related to the new development that creates additional demand and need for public facilities, that is a proportionate share of the cost of the public facilities, and that is used for facilities that reasonably benefit the new development. "Impact fee" does not include a reasonable permit or application fee.

In plain English, impact fees are levied under the auspices of paying for perceived infrastructure needs necessary to support the new business or development. These fees do not take into account nor replace the permit and application fees businesses already face when opening shop in an area. This puts those communities that issue impact fees at a significant self-imposed disadvantage compared with those that have the wherewithal to refrain from mandating these tack on taxes. When given the option of paying "x" amount for the privilege of bringing jobs and homes to an area or paying no impact fees to locate in another area, the choice is obvious.

Perhaps one of the most ridiculous examples concerning impact fees

QUOTABLE

1 Part Honesty; 2 Parts Arrogance

At a March 23, 2005, House Appropriations hearing on a bill to gut the voter-approved I-601 spending limit, Rep. Jim McIntire (D) asked a

can be illustrated by reviewing the plight of Wellington River Hollow, LLC, which purchased the option for McKenzie Place (a 144-unit multifamily development), located in an unincorporated portion of King County.

When first conducting the feasibility study in July 1998, Wellington requested an estimate of the school impact fee that would be levied against the development from the Northshore School District. The district first informed Wellington that the fee would be $387 per unit including a per unit $65 King County administration fee. For the 144 units, Wellington was facing a school impact fee of $65,088 to build the multifamily housing complex.

Based upon this estimate Wellington decided to pursue the project. However, in March of 1999, Wellington was informed by the King County Department of Development (DDES) that the school impact fees would be $1,398 per unit plus the $65 per unit administration fee. Now Wellington was facing a school impact fee of $210,672 for the privilege of providing the area an additional 144 units of multifamily housing. This was $145,584 more in school impact fees than estimated only months before. King County would not provide the fee estimate until after all County permits had been approved.

Under protest Wellington paid the entire $210,672 but has since challenged in district court the constitutionality of school impact fees. The main source of frustration was the fact that had the project been built elsewhere in the district, no impact fees would have been levied. On top of this fact, despite paying $210,672 in school impact fees, the residents of Wellington's multifamily housing project are **prohibited** from attending the new school that was built from the collected fees because of district attendance zones. Interestingly, the attendance zone in which the new school was built does not mandate school impact fees against new development.

What needs to be remembered in this situation is that Wellington was forced to pay the additional $210,672 in school impact fees on top of all the other permit and application fees necessary to gain approval to bring the area the new 144-unit multifamily housing project.

Just as with any tax mandated upon business, impact fees ultimately are passed on to consumers in the form of higher home costs, rents, and more expensive services and products. These tack on taxes are hindering the ability of the state's businesses and developers to utilize the strengths of America's free market system to bring about the economic growth needed in our state. Impact fees are also pushing the affordability of homes and rent further beyond our means, positioning the state on the cusp of becoming unlivable for the employees of the state's remaining businesses.

Immediate revision of the state's GMA to repeal impact fees must be undertaken. Until these fees can be repealed, more must be done to allow those facing these fees to receive detailed accounts of where and how they are being spent. These tack on taxes are a constant reminder to all seeking to grow Washington's economy of the anti-business climate facing them. Rather than tacking on more taxes, we should allow businesses the freedom to grow our state's economy, and in doing so grow Washington's mainly consumption-based tax revenue which will provide for any new infrastructure new growth may necessitate.

This is part eight in a ten-part series on resolving Washington's anti-business climate.

supporter of I-601's two-third supermajority requirement for the legislature to raise taxes the following question:

"Can you name a time when we [legislators] have actually not just set it [supermajority requirement] aside by majority vote? I mean, this is in many respects a procedural motion that has no bearing. It's a statutory constraint that cannot constrain any legislature that chooses as a majority to set it aside . . . have we ever used a supermajority [to raise taxes]?"

- Rep. Jim McIntire (D - 46) (360) 786-7886

Despite the arrogance of some state officials, Washington's constitution is clear: "**All political power is inherent in the people**..."

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Contact: Jason Mercier, Deputy Communications Director, (360) 956-3482 or jmercier@effwa.org.

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Evergreen Freedom Foundation
P.O. Box 552, Olympia, WA 98507
Phone: (360) 956-3482, Fax: (360) 352-1874
Email: **effwa@effwa.org**