

Impact Fees

This page provides a general overview of impact fees for cities and counties in Washington State, including information on how they may be used and sample documents from selected jurisdictions.

What Are Impact Fees?

Impact fees are one-time charges assessed by local governments against a new development project to help pay for new or expanded public facilities that will directly address the increased demand created by that development.

Impact fees may only be used for capital facilities that are reasonably related to the new development, will directly benefit the new development, and will also serve the community at large (in other words, impact fees may not be used to pay for private facilities that solely benefit the development).

What Can Impact Fees Be Used For?

RCW 82.02.050 - .110 and WAC 365-196-850 authorize counties, cities, and towns planning under the Growth Management Act (GMA) to impose impact fees for:

- Public streets and roads
- Publicly owned parks, open space, and recreation facilities
- School facilities
- Fire protection facilities

These impact fees may only be imposed for “system improvements” - public capital facilities in a local government’s capital facilities plan that are designed to provide service to the community at large, are reasonably related to the new development, and will benefit the new development (WAC 365-196-850).

Impact fees cannot exceed a proportionate share of the cost of the system improvements, and municipalities must have additional funding sources and may not rely solely on impact fees to fund the improvements (RCW 82.050.050).

Impact fees may not be used to correct existing deficiencies. For instance, a school district may use the impact fees from a development to pay for construction of new classrooms at specific schools to accommodate the increased enrollment anticipated from that specific development. But the district *may not* use the impact fees to build new classrooms to reduce overcrowding caused by existing residents.

An impact fee ordinance, however, “may provide for the imposition of an impact fee for system improvement costs previously incurred by a county, city, or town to the extent that new growth and development will be served by the previously constructed improvements provided such fee shall not be imposed to make up for any

system improvement deficiencies” ([RCW 82.02.060\(8\)](#)). For example, if a public works maintenance facility was designed and constructed to address both existing deficiencies (say, 60%) and future growth needs (say, 40%), impact fees could be used to pay for up to 40% of the debt service on the bond issued for that facility.

Transportation Impact Fees

Transportation impact fees must be used for “public streets and roads” that are addressed by a capital facilities plan element of a comprehensive plan adopted under the GMA ([RCW 82.02.050\(4\)](#) and [RCW 82.02.090\(7\)](#)).

It is unclear whether state law allows these impact fees to be used to fund multimodal improvements, but such use is probably acceptable as long as the improvement is within the street right-of-way - such as bus lanes, sidewalks, or bike lanes - and there is a strong transportation-related justification. However, it is doubtful that impact fees could pay for buses, vanpool vehicles, recreational trails, or other projects outside the right-of-way. Since impact fees are restricted to capital facilities, they cannot be used to fund transportation studies or operating and maintenance costs.

Bellingham has compiled a [comparison of 2015 transportation impact fee base rates in Western Washington](#).

Note: This information only applies to transportation impact fees authorized by [RCW 82.02.050 - .110](#) and [WAC 365-196-850](#) for jurisdictions planning under the Growth Management Act. Separate legislation (the Local Transportation Act, [chapter 39.92 RCW](#), whose initial passage predated GMA by two years) authorizes all counties, cities, towns, and [transportation benefit districts](#) across the state - including those not planning under GMA - to impose transportation impact fees, but MRSC is not aware of any jurisdictions that currently do so under that authority.

Park Impact Fees

Park impact fees must be used for “publicly owned parks, open space, and recreation facilities” that are addressed by a capital facilities plan element of a comprehensive plan adopted under the GMA ([RCW 82.02.050\(4\)](#) and [RCW 82.02.090\(7\)](#)).

Most cities and counties in Washington only charge park impact fees to residential construction or the residential portion of a mixed use building or development, but a few also charge commercial or industrial developments, since employees (and not just residents) can directly benefit from nearby parks and recreational facilities. (See Tukwila’s example in the [sample documents section](#).)

School Impact Fees

School impact fees must be used for “school facilities” that are addressed by a capital facilities plan element of a comprehensive plan adopted under the GMA ([RCW 82.02.050\(4\)](#) and [RCW 82.02.090\(7\)](#)). Typically, school impact fees apply only to residential construction or the residential portion of a mixed use building or development.

School districts are responsible for expending the impact fees but are not authorized to collect the fees. As a result, school impact fees require cooperation between school districts and the cities, towns, or counties administering the impact fee program. This cooperation should take the form of an interlocal agreement (ILA) that specifically identifies each party’s role.

Any exemption for school impact fees that would otherwise be distributed to a school district must first be approved by the school district ([RCW 82.02.060\(3\)](#)).

Fire Impact Fees

Fire impact fees must be used for “fire protection facilities” that are addressed by a capital facilities plan element of a comprehensive plan adopted under the GMA ([RCW 82.02.050\(4\)](#) and [RCW 82.02.090\(7\)](#)). Because state law provides no further statutory or administrative definitions, some jurisdictions have taken it upon themselves to define “fire protection facilities” in their own municipal codes. (See Auburn’s example in the [sample documents section](#), which includes fire engines and equipment.)

Determining Impact Fee Rates

Local governments must establish a rate schedule for each type of development activity that is subject to impact fees, specifying the fee to be imposed for each type of system improvement ([RCW 82.02.060](#)). The schedule must be based on a formula or other calculation that incorporates, among other things:

- The cost of public facilities necessitated by new development
- The cost of existing public facilities improvements
- Adjustments to the cost of the public facilities for past or future payments made or reasonably anticipated to be made by new development
- The availability of other public funding sources
- The method by which public facilities improvements were financed

These rate studies should be updated periodically to reflect changes in the cost of facilities. While local governments are not required to hold a public hearing before adopting or increasing impact fees, it may be prudent to do so, especially if the decision might be controversial.

Local governments may provide exemptions for low-income housing and other development activities with “broad public purposes” ([RCW 82.02.060](#)). Some jurisdictions reduce or waive certain types of impact fees for certain types of development, either to incentivize development or because the development places no significant burden on existing facilities.

Practice Tip: Some jurisdictions automatically adjust their impact fees by indexing them, which protects future revenues and can potentially eliminate the need for the legislative body to go through a formal rate setting process again. For instance, see:

- [Federal Way Municipal Code Sec. 19.91.160](#) - Transportation impact fees indexed to a three-year moving average of the WSDOT Transportation Construction Cost Index. Rate study must be updated every three years, unless city determines that circumstances have not changed to warrant an update.
- [Ridgefield Municipal Code Sec. 18.070.090](#) - Park impact fees indexed annually to Portland Consumer Price Index for first half of the year, but may only increase automatically for three consecutive years. If fees are set to automatically increase for a fourth consecutive year, city council must hold a public hearing and establish new impact fee rates.

- [West Richland Municipal Code Sec. 16.14.105](#) - Park impact fees indexed annually to Seattle Metropolitan Area Consumer Price Index and rounded to the nearest five dollar increment. (Similar provision for transportation.)

Collecting Impact Fees

Impact fees generally must be paid before construction begins. The money must be earmarked and retained in special interest-bearing accounts, with a separate account for every type of facility for which the fees are collected (schools, fire, etc.). Each agency that imposes impact fees must provide an annual report on each of the accounts showing the source and amount of revenues, as well as the improvements financed with the revenue ([RCW 82.02.070](#)). For information on accounting requirements for impact fees, see the [BARS Manual, section 3.6.7](#).

In 2015, [ESB 5923](#) (codified at [RCW 82.02.050](#)) required cities, towns, and counties to adopt an impact fee payment deferral system for small single-family residential developments, allowing developers to pay the fees after construction instead of beforehand. For details and examples, see [Impact Fee Payment Deferral Programs](#).

Deadline for Expending Impact Fees

Impact fees must be expended or encumbered within 10 years of receipt, unless there is an “extraordinary and compelling reason” for fees to be held longer, which must be documented in writing by the governing body ([RCW 82.02.070](#)).

[RCW 82.02.080](#) requires each jurisdiction to refund the impact fees, plus earned interest, to the developer if:

- The impact fee is not expended or encumbered within 10 years of collection;
- The jurisdiction ends its impact fee program and the funds have not yet been expended or encumbered; or
- The developer does not proceed with the proposed development activity and requests a refund.

Sample Impact Fee Provisions

Below are selected examples of impact fee ordinances, codes, and rate studies from cities and counties in Washington State.

Some of these examples may not be updated yet to comply with a new state law ([ESB 5923](#), codified at [RCW 82.02.050](#)), which requires impact fee deferral programs for small single-family residential developments to be in place by September 1, 2016. For examples of impact fee deferral programs, see our page on [Impact Fee Payment Deferral Programs](#).

Rate Studies and Calculations

- [Bainbridge Island Impact Fee Rate Study](#) (2015) - Transportation
- [Lake Washington School District Capital Facilities Plan](#) (2015) - Schools (see appendices)
- [Renton Rate Study for Impact Fees](#) (2011) - Transportation, parks, fire
- [Sequim Impact Fee Program](#) (2013) - Transportation

- Thurston County Impact Fee Rate Study (2012) - Parks

Impact Fees for Multiple Capital Facilities - Cities

- Redmond Municipal Code Ch. 3.10 - Highlighted in a 2008 State Auditor's Office report for using leading practices in fire and transportation impact fees, including calculating, charging, and maintaining transportation impact fees and taking into account fire impacts by land use type.
- Olympia Municipal Code Title 15 - Transportation, schools, parks - Good, consolidated format of the Impact Fee provisions, and includes a Chapter on Transportation Concurrency.

Transportation Impact Fees - Cities

- Bellingham Municipal Code Sec. 19.06.040(E) - Received the 2012 APA-PAW Award for Transportation Planning for incentivizing fewer auto trips through reduced impact fees for certain types of development. For details, see Bellingham's webpage on Transportation Impact Fees.
- Ellensburg City Code Ch. 14.04 - Any development activity in central commercial district is considered to be redevelopment (not new development), so exempt from paying transportation impact fees; 5% administrative fee; public works director makes determination about whether a particular development activity falls within a transportation impact fee exemption.
- Spokane Municipal Code Ch. 17D.075 - Lots of detail included within the code, including a "four service areas" map and impact fee project list; severability clause.

Park Impact Fees - Cities

- Bothell Municipal Code Ch. 21.08 - Broad focus on parks and recreation facility needs; includes a detailed fee schedule.
- Tukwila Municipal Code Ch. 16.28 - Charges park impact fees to new office, retail, and industrial development.
- Tumwater Municipal Code Ch. 3.52 - Includes a detailed fee schedule; impact fees are assessed for two types of service areas: regional/citywide and local.

School Impact Fees - Cities

- Vancouver Municipal Code Sec. 20.915.060 - Highlighted in a 2008 State Auditor's Office report for leading practices in school impact fees, particularly the rate schedule and calculations.
- Mukilteo Municipal Code Ch. 3.100 - Requires city council to adopt by reference the school district's capital facilities plan into the city's comprehensive plan; district's capital facilities plan must be readopted by City at least once every two years and must meet city's requirements; impact fee calculation formulation included as Attachment A.
- Pasco Municipal Code Ch. 3.133 - Credit for in-kind contributions

Fire Impact Fees - Cities

- Auburn Municipal Code Ch. 19.06 - Definition of "fire protection facilities" includes fire trucks and apparatus, fire stations, furnishings, and equipment.
- DuPont Municipal Code Ch. 26.05 - Mentions fire capital facilities plan and six-year capacity; includes actual fee amount in the code.

County Impact Fees

The examples listed below contain most of the provisions included in the other examples cited above, but are from various counties in Washington.

- [Kitsap County Code Ch. 4.110](#) - Roads, parks, schools.
- [Pierce County Code Title 4A](#) - Transportation, schools, parks.
- [Thurston County and Rochester School District ILA for School Impact Fees \(2013\)](#) - Identifies roles and responsibilities for collecting, distributing, and expending school impact fees.

Frequently Asked Questions

For answers to selected questions MRSC has received about impact fees, see the [Ask MRSC Archives](#).

Court Decisions

For selected court decisions affecting impact fees, see our page on [Impact Fee Court Decisions](#).

Recommended Resources

- [Impactfees.com](#) - Comprehensive website provided by national impact fee consultants Duncan Associates. Includes news, state and local links, surveys, publications, and case law - but no new information posted since 2014.

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