



IMPACT FEES: FAQ

WHAT IS AN IMPACT FEE?

A fee or set of fees that builders constructing new homes must pay to a city or jurisdiction.

WHAT TYPES OF IMPACT FEES ARE THERE?

According to Washington law (RCW 82.02.090), impact fees may only be collected for four specific uses:

- Parks
- Schools
- Public streets and roads
- Fire protection facilities

HOW ARE IMPACT FEES USED?

Funds created from impact fees must be used by that city or jurisdiction towards **specific** projects or costs associated with the category they were collected under. Impact fees are only allowed for new system improvements and may not be used to correct existing deficiencies (RCW 82.02.050).

HOW MUCH ARE IMPACT FEES?

Impact fees in the Puget Sound region vary widely and are determined by each city or jurisdiction. Often impact fees are charged based on the type of new housing being constructed, such as single-family versus multifamily. The total amount collected from impact fees in our area can easily exceed **\$20,000 per unit**, adding significantly to the final cost of the home.

For every \$1,000 increase in the price of a home in the Seattle/Bellevue/Tacoma market, 1,161 people are priced out.

HOW IS AFFORDABILITY AFFECTED?

The more it costs to build a home, the more that home will end up costing buyers. Higher home prices—whether due to rising mortgage interest rates, government-imposed fees, regulatory costs, or other factors—impact access to affordable homeownership.

To help illustrate the impact of price increases on prospective homebuyers, the National Association of Home Builders (NAHB) has generated “priced-out” estimates for our local housing market and statewide. NAHB estimates that for every \$1,000 increase in the price of home in the Seattle/Bellevue/Tacoma market, 1,161 people are priced out, meaning they no longer qualify for a mortgage after the price increase. Statewide, 2,100 people are priced out of the market for every \$1,000 increase in home prices.

As state and local leaders continue to look for ways to make it easier to build all types of housing that more residents can afford, it is critical that there is a careful review of the fees imposed on new housing. Limiting cost pressures is the best first step for making it easier for current and future residents to buy or rent a home that best fits their lives.



SHOULDN'T BUILDERS HAVE TO PAY FOR THEIR FAIR SHARE OF GROWTH?

Yes. The process of building a new home directly and indirectly generates a variety of taxes and fees, most of which go to state and local governments:

- Nearly the entire cost of constructing housing is subject to state sales tax.
- Construction businesses pay a business and occupation tax on gross revenues.
- Builders pay property taxes and real estate excise taxes.
- Mitigation fees help pay for improvements to infrastructure that will be affected by the new home development. The assessment of these fees vary depending on where the housing project is located.
- Builders also pay multiple other fees, including pre-application and permit fees, street use fees, utility connection fees, and Mandatory Housing Affordability (MHA) fees (in city of Seattle), among others.



ALTERNATIVE FUNDING MECHANISMS

In general, broad-based funding sources should be considered for major infrastructure improvements over fees that push housing further out of reach for more buyers and renters. One example of an alternative funding mechanism is bond measures, which ask all residents to contribute towards community improvements enjoyed by everyone.