Multiple Agency Fiscal Note Summary

Bill Number: 5254 S SB	Title: Buildable lands & zoning

Estimated Cash Receipts

Agency Name	2017-19		2019-21		2021-23	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Commerce	0	(528,666)	0	28,817,282	0	28,889,282
Total $	**0**	**(528,666)**	**0**	**28,817,282**	**0**	**28,889,282**

Estimated Expenditures

Agency Name	2017-19			2019-21			2021-23		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Commerce	2.0	767,417	238,751	6.3	0	28,817,282	6.3	0	28,817,282
Office of Financial Management	1.5	542,420	542,420	1.5	436,920	436,920	1.5	436,920	436,920
Department of Revenue	.1	11,700	11,700	.0	0	0	.0	0	0
The Evergreen State College	.1	35,490	35,490	.0	0	0	.0	0	0
Environmental and Land Use Hearings Office	.0	0	0	.0	0	0	.0	0	0
Total	**3.7**	**$1,357,027**	**$828,361**	**7.8**	**$436,920**	**$29,254,202**	**7.8**	**$436,920**	**$29,254,202**

Local Gov. Courts *									
Loc School dist-SPI									
Local Gov. Other **	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Impact

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

http://www.ofm.wa.gov/tax/default.asp

Prepared by: Shane Hamlin, OFM	Phone:	Date Published:
	(360) 902-0547	Final 3/ 3/2017

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 48093

FNS029 Multi Agency rollup

Individual State Agency Fiscal Note

Revised

Bill Number: 5254 S SB	Title: Buildable lands & zoning	Agency: 103-Department of Commerce

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2018	FY 2019	2017-19	2019-21	2021-23
Home Security Fund Account-State 10B-1	(264,333)	(264,333)	(528,666)	28,817,282	28,889,282
Total $	(264,333)	(264,333)	(528,666)	28,817,282	28,889,282

Estimated Expenditures from:

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	1.8	2.2	2.0	6.3	6.3
Account					
General Fund-State 001-1	517,080	250,337	767,417	0	0
Home Security Fund Account-State 10B-1	(264,333)	(264,333)	(528,666)	28,817,282	28,817,282
Total $	252,747	(13,996)	238,751	28,817,282	28,817,282

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

http://www.ofm.wa.gov/tax/default.asp

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 02/15/2017
Agency Preparation:	Matthew Ojennus	Phone: 360-725-4047	Date: 03/01/2017
Agency Approval:	Mark Barkley	Phone: 360-725-3022	Date: 03/01/2017
OFM Review:	Shane Hamlin	Phone: (360) 902-0547	Date: 03/01/2017

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Differences between the substitute bill and the original bill:

In section 8 (which was section 7 in the original bill), the provision allowing county auditors to retain two percent of the surcharge is restored, the exemption from the fee for documents recording a birth, marriage, divorce, or death is restored, and an exemption for recording liens for nonpayment of service in water and sewer districts is added.

Summary of the substitute bill:

Section 2(3) requires counties planning under the Growth Management Act (GMA) to use a reasonable land market supply factor for projecting new development.

Section 2(5) requires the Department of Commerce to provide grants to counties, cities, and regional planning organizations to update their review and evaluation process under RCW 36.70A.215 (Buildable Lands Program).

Section 2(7) requires the Department of Commerce to contract with the Urban Land Institute to develop guidance for local governments planning under the Growth Management Act (GMA) to use in ensuring a reasonable land market supply factor for projecting new development.

Sections 3, 5, 6, and 7 amend the GMA regarding the buildable lands program, the housing element requirements, and establishment of urban growth areas to conform to the new requirements of section 2.

Section 8 exempts liens recorded by water-sewer districts from the surcharge on documents recorded by the county auditor.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Section 8

This section exempts liens recorded by water-sewer districts from the surcharge on recorded documents. Data from Clark, King, and Snohomish counties for the month of October 2015 reflected 16,858 liens and releases of liens were recorded by special purpose districts related to delinquent utility service charges. Exemption of these liens is estimated to reduce revenue to the State Home Security Fund (10-B) by $264,333 each fiscal year from 2018-2027.

Current law requires the document recording surcharge to only continue the permanent $10 fee beyond FY19. This means the additional $30 fee ends in FY19. This bill amends the law to continue the additional $30 document recording surcharge beyond FY19. As such, the cash receipts depicted in this fiscal note shows the difference in revenue (that would have not been in place absent this bill) with continuing the $30 fee beyond FY19, together with the adjustment for the number of documents exempted as discussed above.

Home Security Fund – 10B: FY18 – FY19: minus $264,333 each fiscal year

Home Security Fund – 10B: FY20 – FY23: $14,408,641 each fiscal year

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Section 2(5) -- Local Government Grants

ASSUMPTIONS: Because this bill does not indicate the amount of funding that would be provided for distribution under section 2 and no appropriation is included in the operating budget request for the 2015-17 biennium for this purpose, grant amounts are not included as impacts in this fiscal note. However, Commerce has assumed a grant amount of $4,721,000 for the purposes of estimating the startup and administrative costs of the program.

In 1997, the Legislature appropriated $2,000,000 to implement buildable lands programs in Clark, King, Kitsap, Pierce, Snohomish, and Thurston counties (with a population of 3,547,000 in 1966). This bill adds Benton, Spokane, and Yakima counties to the program. Based on the population increase of the original six counties since 1996 and the additional population in the three new counties, and adjusting the original cost by the CPI increase from 1996 to 2015 based on Bureau of Labor statistics (approximately 51 percent), the department estimates $4,721,000 in grants to implement this bill.

Section 2(7) -- Urban Land Institute Study-

Professional Services Contracts:

Based on recent contracts for rule development of similar scope, the department estimates $300,000 to develop the technical guidance for local governments about the changes to growth management plans needed to implement this act.

FY18: $300,000

Sections 3, 5, 6, and 7 -- Administrative Rules and Agency Guidance.

FTE Salaries and Benefits

The department estimates 1.0 FTE Commerce Specialist 3 in FY18 to implement the contract with the Urban Land Institute and ensure for appropriate public participation in the development of the mandated guidance, develop and manage the grant contracts with the counties, provide professional planning guidance to local staff in implementing the guidance developed by the Urban Land Institute for Buildable Lands communities and update the advisory rules affected by this guidance. Professional planning guidance will not begin until December 1, 2017 since the guidance developed by the Urban Land Institute will not be ready until then.

Commerce estimates 0.6 FTE Commerce Specialist 3 in FY18 (working from from December, 2017, through June, 2018) to provide professional guidance to local staff in implementing the guidance developed by the Urban Land Institute for Buildable Lands communities and update the advisory rules affected by this guidance. Professional planning guidance will not begin until December 1, 2017, since the guidance developed by the Urban Land Institute will not be ready until then.

Commerce estimates 2.0 FTE Commerce Specialist 3 in FY19 to update the advisory rules regarding the implementation of the GMA as amended by this bill. Staff will also update the published guidance Commerce provides. Guidance for planning for housing and transportation will be updated along with guidance on the Buildable Lands program. Additionally, focused professional planning guidance will be provided to local governments working to address housing affordability under Section 3 of this bill.

FY18: $151,800
FY19: $189,749

Goods and Other Services (G&S):

FY18: $49,642
-- Standard G&S $38,061
-- Space and utilities $11,581

FY19: $57,769
-- Standard G&S $43,293
-- Space and utilities $14,476

Travel:

The department estimates $922 for motor pool vehicle travel, $3,036 for per diem, and $1,680 for lodging in FY18, and $461 for motor pool vehicle travel, $1,518 for per diem, and $840 for lodging in FY19 for stakeholder outreach and public hearings regarding the update to the GMA advisory rules, ensuring appropriate public participation in the Urban Land Institute guidance development, and for travel to assist local governments with professional planning guidance in the implementation of this act..

FY18: $5,638
FY19: $2,819

Capital Outlays and Equipment:

The department estimates two standard workstations in FY18.

FY18: $10,000

Sections 8:

Section 8 – Document Recording Fees

ASSUMPTIONS: The department assumes that if the document-recording fee were extended at the current level of $40 through 2027 and an exemption added for water-sewer district liens, the net change to the current level funding of the program would be $264,333 less each fiscal year in FY18-19 in the Home Security fund. This change would reduce dollars passed through to contractors to provide services through the department's Consolidated Homeless Grant Program. There would be a net increase of $14,408,641 in FY20-23. The bill does not reduce any of the statutory requirements for these programs. The department would still be required to continue all current legal obligations for program execution and current staffing levels would continue. The resources associated with the extension of the funding in FY20-23 are as follows

Program Administration:

The department estimates 0.1 FTE EMS2, 0.1 FTE WMS2, 2.0 FTE Commerce Specialist 2, 3.0 FTE Commerce Specialist 2, and 0.5 FTE Administrative Assistant 3 in FY 20-23 to originate and monitor contracts for the additional $14.4 million in grant funding for homeless housing programs.

FY20-23: $499,277 each fiscal year

The department estimates the following expenditures for goods and services in FY20-23, travel for monitoring contracts and coordinating with local agencies in FY20-23, and six standard workstations in FY20.

FY20: $233,481
FY21-23: $197,570

Grants, Loans, and Client Services:

FY18-19: minus $264,333 each fiscal year
FY20: $13,675,883
FY21-23: $13,711,794 each fiscal year

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	1.8	2.2	2.0	6.3	6.3
A-Salaries and Wages	110,570	138,212	248,782	717,946	717,946
B-Employee Benefits	41,230	51,537	92,767	280,608	280,608
C-Professional Service Contracts	300,000		300,000		
E-Goods and Other Services	48,983	57,110	106,093	386,651	380,740
G-Travel	5,638	2,819	8,457	14,400	14,400
J-Capital Outlays	10,000		10,000	30,000	
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	(263,674)	(263,674)	(527,348)	27,387,677	27,423,588
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	$252,747	$(13,996)	$238,751	$28,817,282	$28,817,282

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2018	FY 2019	2017-19	2019-21	2021-23
Administrative Assistant 3	43,252				0.5	0.5
Administrative Services - Indirect	69,552	0.2	0.2	0.2	0.6	0.6
Commerce Specialist 2	59,605				3.0	3.0
Commerce Specialist 3	69,106	1.6	2.0	1.8	2.0	2.0
EMS Band 2	101,600				0.1	0.1
WMS Band 2	101,600				0.1	0.1
Total FTE's	444,715	1.8	2.2	2.0	6.3	6.3

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

The department will update the existing advisory rules that provide technical guidance to assist local governments with the implementation of the growth management act.

Individual State Agency Fiscal Note

Bill Number: 5254 S SB	Title: Buildable lands & zoning	Agency: 105-Office of Financial Management

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	1.5	1.5	1.5	1.5	1.5
Account					
General Fund-State 001-1	323,960	218,460	542,420	436,920	436,920
Total $	323,960	218,460	542,420	436,920	436,920

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

http://www.ofm.wa.gov/tax/default.asp

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 02/15/2017
Agency Preparation:	Jim Jenkins	Phone: 360-902-0403	Date: 02/21/2017
Agency Approval:	Aaron Butcher	Phone: 360-902-0406	Date: 02/21/2017
OFM Review:	Regan Hesse	Phone: (360) 902-0650	Date: 02/21/2017

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Sec.6 (1) revises RCW 43.62.035. This revision requires OFM to produce growth management planning population (GMA) projections in the year (instead of at least once every five years), prior to the year during which counties are required to review, and if needed, revise their comprehensive plans.

Sec.6 (4) requires OFM to add additional county and city level information to its current population trends report on population growth, job growth, housing growth by structure type, housing affordability index, and monthly residential housing inventory data. OFM is required to conduct comparisons on population growth and the growth targets established by all counties and cities under GMA planning using information from the Runstad Center for real estate studies at the University of Washington on an annual basis.

Produce the projections:

RCW36.70A.130 (5) and (6) requires that counties perform mandatory updates of their comprehensive plans between 2015 and 2020 including extensions. This planning cycle is then repeated every eight years. Beginning in 2017, OFM will be required to provide annual projections. Then from 2022, OFM will be required to produce the projections annually until 2027. This projection update cycle will repeat every three years. The requirements of the bill will approximately triple the current workload and dramatically increase the communication and mandatory review work with cities, counties and regional planning agencies.

OFM needs to update and modernize its forecast system to accommodate this change. It is not practical to use the current system annually. Data collection, quality control, and evaluations will need to occur on a continuous basis. Communications with local governments and agencies will need to occur on a continuous basis.

Additional information OFM must provide to local jurisdictions:
(a) The actual population growth within each county and city;
(b) A comparison of job growth and housing growth;
(c) Comparison of population growth and estimates used by counties and cities in their comprehensive plans;
(d) Data on housing supply, including new single-family and multifamily construction, permitted but not yet constructed housing units;
(e) The housing affordability index for each county;
(f) The residential housing inventory for each county expressed in months of inventory.

The bill directs OFM to use the Runstad Center for real estate studies at the University of Washington as its data source. However, only the housing affordability index data for each county is currently available. For the rest of the requirements, OFM needs to construct, calculate, or contract to Runstad Center to compile and create.

Note: City level Job growth data are not currently available. It is indeterminate what the cost would be to gather this data.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

New Sec.6 revisions would that would require OFM to produce growth management planning population (GMA) projections yearly instead of at least once every five years. Sec.6 (4) requirements to add additional county and city level information to its current population trends report on population growth, job growth, housing growth by structure type, housing affordability index, and monthly residential housing inventory data.

- This increased workload would require one ongoing Forecast Analyst 1.0 FTE at a $7,500 monthly salary and benefits and an additional ongoing part time .25 FTE Forecast Analyst at the same $7,500 salary to assist the fulltime analyst.

OFM is also required to conduct comparisons on population growth and the growth targets established by all counties and cities under GMA planning using information from the Runstad Center for real estate studies at the University of Washington on an annual basis.

- This estimated increased workload would require one ongoing Forecast Analyst .25 FTE at a $7,500 monthly salary and benefits.

Software need: The current projection model was developed with an outdated software system that is not vendor supported. OFM does not have the resources to provide revisions and enhancements needed for a new model. Approximate one-time costs for a contractor to convert the model into a working statistical analysis system (SAS) is $98,000.

Data acquisition costs are indeterminate (Awaiting the appointment of the incoming director of the Runstad Center for real estate studies, University of Washington).

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	1.5	1.5	1.5	1.5	1.5
A-Salaries and Wages	135,000	135,000	270,000	270,000	270,000
B-Employee Benefits	43,860	43,860	87,720	87,720	87,720
C-Professional Service Contracts	98,000		98,000		
E-Goods and Other Services	36,000	36,000	72,000	72,000	72,000
G-Travel	3,600	3,600	7,200	7,200	7,200
J-Capital Outlays	7,500		7,500		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	$323,960	$218,460	$542,420	$436,920	$436,920

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2018	FY 2019	2017-19	2019-21	2021-23
Senior Forecast Analyst	90,000	1.5	1.5	1.5	1.5	1.5
Total FTE's	90,000	1.5	1.5	1.5	1.5	1.5

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Department of Revenue Fiscal Note

Bill Number: 5254 S SB	Title: Buildable lands & zoning	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	0.1		0.1		
Account					
GF-STATE-State 001-1	11,700		11,700		
Total $	11,700		11,700		

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

http://www.ofm.wa.gov/tax/default.asp

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/15/2017
Agency Preparation: Beth Leech	Phone: 360-534-1513	Date: 02/16/2017
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/16/2017
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/16/2017

Request # 5254-2-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Sections 1 through 9 of this bill deal with how cities and counties establish and enact planning policies and review and evaluation programs.

Sections 10 through 27:

These sections give cities or counties the option to adopt a local property tax exemption program for affordable housing for very low-income households. The exemption does not apply to the state levy, nor does it apply to any county property tax levy unless the legislative authority of the county adopts a resolution and notifies the governing authority of the city within the county that has established a tax exempt program of the county's intent to allow the property to be exempt. The city or county must notify other local taxing districts when establishing a tax exemption program.

Cities and counties that adopt this property tax exemption program must establish standards for very low-income household rental housing. This includes rent limits and income guidelines consistent with local housing needs. Affordable housing units must be below market rent levels and affordable to households with an income of fifty percent or less of the county median family income.

High-cost area is defined as a county where the third quarter median house price for the previous year as reported by the Runstad center for real estate studies at the University of Washington is equal to or greater than 130 percent of the statewide median house price published during the same time period. In a high-cost area the city or county may establish higher income levels, but such higher income levels may not exceed 60 percent of the county area median family income.

Residential housing and land can be eligible for the local exemption for 15 years. The city or county may extend the duration of the exemption by another 3 years for properties meeting energy and water efficiency standards. To be exempt, the property must meet the following requirements:
- A minimum of 25 percent of units in a multiple-unit property must be affordable housing. Cities and counties may require more than 25 percent of the units be affordable housing.
- At least 90 percent of the units must be occupied.
- The property must be part of a residential or mixed-use project.
- The property must meet guidelines as adopted by the city or county.
- The property owner must enter into a contract with the city or county agreeing to the terms and conditions set forth by the city or county.
- The property must comply with applicable land use regulations, zoning and building codes, safety standards, and other additional standards established by the city or county.

The city or county may establish additional requirements for tax exemption eligibility or program rules. The city or county must adopt and implement standards and guidelines for the program. A fee may be required when applying for the program that covers the cost incurred for administering the program. Applications must be received by August 1st and approved by December 1st to be considered for exemption in the following calendar year.

The exemption is cancelled if the owner intends to convert to property to another use, fails to file annual reports, fails to maintain the property, or fails to meet affordable housing requirements. If the property tax exemption is cancelled, property tax will be imposed plus a penalty of 20 percent and interest. The property owner may appeal the cancellation determination.

Tenant identifying information and income data obtained by the governing authority and the assessor may only be used to administer the affordable housing exemption. Written consent of the tenant is required to disclose this information.

Sections 28 through 37 deal with a homeless census and housing strategic planning.

The bill applies to property taxes due in 2018 and thereafter.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

This legislation results in no revenue impact to the state property tax levy.

The revenue impact for local property tax levies is indeterminate. It is unknown which cities or counties would adopt a property tax exemption program to preserve affordable housing.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

FIRST YEAR COSTS:
The Department of Revenue (Department) will incur total costs of $11,700 in Fiscal Year 2018. These costs include:

Labor Costs – Time and effort equates to 0.14 FTE.
- To create a new rule.

ONGOING COSTS:
There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	7,500		7,500		
B-Employee Benefits	2,200		2,200		
E-Goods and Other Services	1,300		1,300		
J-Capital Outlays	700		700		
Total $	$11,700		$11,700		

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2018	FY 2019	2017-19	2019-21	2021-23
ADM ASST 5	49,308	0.0		0.0		
EMS BAND 4	108,926	0.0		0.0		
EMS BAND 5	127,250	0.0		0.0		
HEARINGS SCHEDULER	34,284	0.0		0.0		
TAX POLICY SP 2	64,620	0.0		0.0		
TAX POLICY SP 3	73,140	0.1		0.0		
TAX POLICY SP 4	78,732	0.0		0.0		
Total FTE's	536,260	0.1		0.1		

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department will use the standard process to adopt WAC 458-20-new rule. Persons affected by this rule-making would include county assessors and auditors.

Individual State Agency Fiscal Note

Bill Number: 5254 S SB	Title: Buildable lands & zoning	Agency: 376-The Evergreen State College

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	0.1	0.2	0.1	0.0	0.0
Account					
General Fund-State 001-1	14,470	21,020	35,490	0	0
Total $	14,470	21,020	35,490	0	0

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

http://www.ofm.wa.gov/tax/default.asp

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 02/15/2017
Agency Preparation:	Catherine Nicolai	Phone: (360) 586-2769	Date: 02/15/2017
Agency Approval:	Lisa Dawn-Fisher	Phone: 360-867-6185	Date: 02/15/2017
OFM Review:	Breann Boggs	Phone: (360) 902-0563	Date: 02/16/2017

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Sec. 29(7) of SSB 5254 directs WSIPP to collaborate with Department of Commerce (Commerce) to conduct a statewide homeless study every ten years. The purpose of the study is to: supplement the current point-in-time census and homeless client management information system by conducting face-to-face interviews with people who are homeless or have recently received homelessness assistance to gather an in-depth assessment of why the individual is among the chronically homeless, unaccompanied homeless youth, and unsheltered populations; review the efficacy of current programs and services; and provide recommendations on the type and timing of health and human service interventions needed for these populations to gain housing stability."

Commerce and WSIPP must "develop a study proposal defining the study scope, methodology, and costs." The study proposal is due to the legislature by January 1, 2019.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

In order to fulfill WSIPP's assignment in Sec. 29(7) of SSB 5254, WSIPP estimates 0.1 FTE Researcher in FY18 and FY19 to develop the study proposal and a 0.05 FTE Office Support in FY19 to publish the study proposal due January 2019.

Costs to conduct the ten-year study will depend on the estimate made by the Department of Commerce and WSIPP.

*Goods and other services includes 13% for office expenses and 12% indirect rate for The Evergreen State College.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	0.1	0.2	0.1		
A-Salaries and Wages	8,932	12,856	21,788		
B-Employee Benefits	2,501	3,753	6,254		
C-Professional Service Contracts					
E-Goods and Other Services	3,037	4,411	7,448		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	$14,470	$21,020	$35,490	$0	$0

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2018	FY 2019	2017-19	2019-21	2021-23
Office Support			0.1	0.0		
Researcher		0.1	0.1	0.1		
Total FTE's		0.1	0.2	0.1		0.0

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5254 S SB	Title: Buildable lands & zoning	Agency: 468-Environmental and Land Use Hearings Office

Part I: Estimates

[X] **No Fiscal Impact**

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

http://www.ofm.wa.gov/tax/default.asp

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

[ ] If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

[ ] If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

[ ] Capital budget impact, complete Part IV.

[ ] Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 02/15/2017
Agency Preparation:	Paulette Yorke	Phone: 360-664-9171	Date: 02/17/2017
Agency Approval:	Nina Carter	Phone: 360 664-9171	Date: 02/17/2017
OFM Review:	Linda Steinmann	Phone: 360-902-0573	Date: 02/17/2017

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

SSB 5254 Sec. 5 (6) as it relates to the Growth Management Hearings Board, allows cities or the Governor to appeal an adopted, updated, revised or amended countywide planning policy to the Growth Management Hearings Board (GMHB) Section 5(6) expands the basis on which the GMHB might receive appeals of a countywide planning policy under RCW 36.70A.210. Although this expands the types of appeals to the GMHB, the workload cannot be determined; it will depend on the parties' situations in each county, however any increased appeals would be able to be absorbed into the GMHB's current workload.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5254 S SB	Title: Buildable lands & zoning

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- [X] Cities: Cities planning under the provisions of the Growth Management Act; cities receiving funds to address homelessnes; cities choosing to adopt property tax exemption.
- [X] Counties: Same as above
- [X] Special Districts: Possible property tax loss and shift
- [X] Specific jurisdictions only: Jurisdictions required to prepare buildable lands analysis; jurisdictions adopting homeless plans or strategies; jurisdictions able to establish higher income levels for affordable housing rents
- [ ] Variance occurs due to:

Part II: Estimates

- [ ] No fiscal impacts.
- [X] Expenditures represent one-time costs: Costs of establishing land capacity databases; cost of creating and coordinating multi-jurisdictional analysis at county level; cost of establishing affordable housing property tax exemptions
- [X] Legislation provides local option: Cities and counties could adopt the tax exemption
- [X] Key variables cannot be estimated with certainty at this time: State of current property and permit information, deadlines to meet land capacity requirements; which jurisdictions would adopt tax exemptions

Estimated revenue impacts to:

Indeterminate Impact

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Allan Johnson	Phone: 360-725-5033	Date: 02/22/2017
Leg. Committee Contact:	Phone:	Date: 02/15/2017
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 02/22/2017
OFM Review: Shane Hamlin	Phone: (360) 902-0547	Date: 03/03/2017

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

DIFFERENCES FROM PREVIOUS BILL VERSION:
-- Removes the requirement for cities and counties to evaluate land capacity for public schools and industrial uses at the request of a school or port district.
-- Allows county auditors to retain two percent of the document recording fee established through RCW 36.22.179.
-- Retains the exemption from the document recording fee established through RCW 36.22.179 for documents recording a birth, marriage, divorce or death.
-- Adds an exemption to the document recording fee established through RCW 36.22.179 for documents recording a water-sewer district lien for nonpayment for water-sewer services.

SUMMARY OF CURRENT BILL VERSION:

BUILDABLE LANDS ANALYSIS
This legislation would add three counties (Benton, Spokane, and Yakima) to the six that currently are required to complete buildable lands analysis every five years (Clark, King, Kitsap, Pierce, Snohomish, and Thurston). Cities within these counties would also be required to prepare this analysis.

The first calculation of buildable lands analysis under the revised provisions of this bill must be completed by all nine counties by June 30, 2018. Updated analysis for King, Pierce, and Snohomish counties would be due in 2022 and every eight years thereafter. Subsequent analysis for Clark, Kitsap, and Thurston counties would be due in 2023 and every eight years thereafter. Additional analysis for Benton, Spokane, and Yakima counties would be due in 2024 and every eight years thereafter.

This bill could also result in additional updates to buildable lands analysis that are needed in response to a required housing supply and affordability review as established in Section 2 or when growth exceeds Office of Financial Management forecasts or criteria as specified in Section 3 of the bill.

This bill would expand the current requirements used by cities and counties to determine whether there is sufficient suitable land to accommodate countywide population projections. These supplemental provisions would require jurisdictions to utilize:
-- A reasonable land market supply factor for consumption and speculative demand or a factor of 50 percent for speculative demand in addition to an unspecified factor for consumptive demand;
-- A redevelopment threshold based on a ratio of existing improvement value to land value that is differentiated on lot size and the relative value of adjacent development;
-- A tiered structure of redevelopment thresholds providing differentiation in the assumed percentage of existing improvements that would be retained;
-- An assumed discount factor for redevelopment that will not occur if the costs of redevelop exceeds likely profit;
-- An evaluation of the adequacy of infrastructure currently available to serve potential development and the cost to provide or upgrade infrastructure in order to meet capacity assumptions;
-- An adjustment for alternative demand scenarios that incorporate a range of assumptions on housing types, buyer preferences, household sizes, household incomes, or migration patterns; and
-- reductions for physical factors which, while not protected critical areas, limit desirability or the profitability of land for development or redevelopment.

The Department of Commerce (Commerce) will contract with the Urban Land Institute and work with stakeholders, including local jurisdictions, to provide guidance on factors needed to complete the buildable land analysis. These factors would include those listed above such as market factors, redevelopment thresholds, discount factors, infrastructure adequacy, demand scenario alternatives, and physical factors. This guidance will be provided by December 1, 2017.

Commerce would provide grants to help local governments complete the initial calculation of buildable land capacity that must be completed by July 30, 2018.

HOUSING SUPPLY AND AFFORDABILITY REVIEW
After July 1, 2019, counties and cities would need to conduct a housing supply and affordability review and amend comprehensive plans and development regulations to encourage increased supply of residential housing whenever the following population and housing market conditions occur:
-- Office of Financial Management's (OFM) annual forecast shows that actual population is higher than the population forecast; or
-- The housing affordability index for that county is less than 100; and

-- Less than four months of residential inventory is available within that county for two out of the last six quarters.

This analysis must begin within three months of meeting the above conditions.

Following completion of the review, counties and cities would be required to either increase the buildable land capacity for residential development to accommodate OFM's high population estimate or provide an analysis demonstrating how that jurisdiction's inventory, affordability, or excess growth could be addressed through other strategies. These changes would need to be completed within six months.

No local government would be required to implement this process more than twice during the eight-year period between the mandatory comprehensive plan update deadlines.

ADJUSTMENTS FOR ANNUAL GROWTH EXCEEDING OFM FORECASTS
Provisions in Section 3 would stipulate that cities and counties increase locations and/or densities of growth to increase buildable land capacity equivalent to any actual residential growth that exceeded planned growth in the prior year.

GROWTH TARGETS
Cities and counties would be allowed to establish growth targets and buildable land capacity without the restriction of maximum limits established through regional plans or countywide planning policies. RTPOs would not be allowed to establish maximum populations, household, employment, and/or job growth targets. RTPOs would have no authority to reject, condition, or limit the approval of a local government growth management comprehensive plan or element. Similarly, countywide planning policies could not be used to establish maximum population, household, employment, and/or job growth targets.

AMENDMENTS TO COUNTYWIDE PLANNING POLICIES
Counties would be required to consider annual amendments to their countywide planning policies and a city or the governor to the Growth Management Hearings Board could appeal any denials.

STATE ENVIRONMENTAL POLICY ACT (SEPA)
Completion of an EIS would no longer be required in order for a jurisdiction to authorize categorical exemptions from SEPA for an infill development area implementing a comprehensive plan, subarea plan, fully contained community, master planned resort, or phased project containing a major transit stop. Major transit stops are defined as a stop on a high-capacity transportation service; commuter rail stops; stops on rail or fixed guideway systems, including transit ways; stops on bus rapid transit routes; stop on routes that run on high-occupancy vehicle lanes; or stops for a bus or other transit mode providing fixed-route service at intervals of at least 30 minutes during the peak hours of operation.

In these circumstances, State Environmental Policy Act impact analysis could be accomplished through a threshold determination of the planned action for the infill development area.

AFFORDABLE HOUSING TAX EXEMPTIONS
Starting in 2018, cities (or by counties for unincorporated areas) would be able to adopt a property tax exemption to preserve affordable housing for very low-income households. These housing units would be affordable to households with an income of 50 percent or less of the county median family income, adjusted for family size. Rent levels would not exceed 30 percent of the household income limit and would be inclusive of tenant-paid utilities other than telephone and any mandatory fees. Rent levels could be adjusted after the governing authority holds a public meeting.

Under the program, qualifying residential real property would be exempt from ad valorem property taxation, except for taxes levied by the state, for 15 successive years. The exemption could be for 18 years for properties meeting energy and water efficiency standards. Unless adopted by resolution, the exemption would not apply to county property tax.

The legislation stipulates a range of requirements needed to qualify for the exemption including:
-- A minimum of 25 percent of units in a multiple-unit property must be affordable;
-- Tenants must occupy at least 90 percent of the units of multiple-unit property at the time of application;
-- The property must be part of a residential or mixed-use project;
-- The property must provide for a minimum of 50 percent of the space for permanent residential occupancy;
-- The property must meet guidelines as adopted by the governing authority;
-- The property owner must enter into a contract with the city or county; and

-- The property must comply with applicable land-use regulations, zoning and building codes, safety standards, and other additional standards established by the city or county. The jurisdiction may waive certain standards for up to three years if the property owner submits a rehabilitation plan to comply with housing quality standards.

Minimum health and quality standards would need to be established by the jurisdiction and properties must be inspected at the time of application and every three years thereafter to ensure compliance. Eligibility could be denied or revoked for failure to comply with health and quality standards. The governing authority could waive certain health and quality standards for properties undergoing rehabilitation improvements pursuant to a rehabilitation plan.

Jurisdictions could adopt additional requirements for eligibility, including a limit on the total number of affordable housing units subject to exemption and a designation of targeted residential areas for property to align with community needs.

Jurisdictions would receive annual certifications of family size and tenant income from the property owner. Owners would also submit information each year regarding occupancy, rents charged, and a certification that the property has not changed use. Jurisdictions would send a report each year to Commerce on the number of tax exemptions granted; number and type of participating units; rents charged versus market-rate units; and value of tax exemptions granted.

An application fee could be charged to property owners applying for the exemption. Administrative costs could be recovered by the jurisdiction from these fees. Any fee remainder would be transferred to the assessor for deposit into the county current expense fund, if the application is approved, or refund the balance to the applicant, if denied.

Cities or counties adopting these provisions would establish standards and guidelines to implement the program, including application and inspection procedures. An administrative official (or commission) could be designated to review applications and approval or denial must occur within 120 days of receipt of an application. An applicant could appeal a denial, within 30 days of receipt of notice, to the governing authority but would bear the burden of proof to show there was no substantial evidence to support the decision

Upon approval, a certificate of tax exemption would be filed with the county assessor by December 1. Certificates filed after December 1 but before January 1 would be deemed filed in the next calendar year. Conditional certificates could be issued for properties undergoing rehabilitation improvements, which must be completed within two years of the application date. Exemptions would continue upon sale or transfer of the property if the new owner signs a notice of exemption continuance. If the new owner does not sign, then all additional tax, penalty, and interest would become due at the time of sale.

The property tax exemption could be cancelled if the property is converted to a use that is not residential or the owner intends to discontinue compliance with affordable housing requirements; fails to file annual reports; fails to maintain the property in substantial compliance with all applicable local building, safety, and health code requirements; or fails to complete rehabilitation improvements as outlined in the rehabilitation plan. A cancellation notice would be sent within 30 days of the cancellation and the owner would have 30 days to appeal this decision. Following a hearing, the aggrieved party could appeal further as provided in the Administrative Procedures Act.

Any property that no longer qualifies for the exemption would incur additional real property tax in the amount that would have been imposed absent the exemption, and a 20 percent penalty, calculated from January 1 of the year the certification first became effective. The county treasurer would collect this additional tax. The county auditor would not accept an instrument of conveyance unless and until the additional tax is paid.

RECORDING FEES
Provisions governing three document-recording fees would be changed through this legislation.

The provisions guiding allocation of the “affordable housing for all” document recording fee under RCW 36.22.178 would be adjusted to eliminate the 5 percent allocation initially retained by counties for collection, administration, and local distribution. Of the 60 percent of remaining funds allocated to counties, 6 percent could be used for collection, administration, and local distribution costs.

The document-recording fee established under RCW 36.22.179 would be amended so that the current $40 surcharge, scheduled to revert to a $10 on June 30, 2019, would be extended until June 30, 2027. Documents recording a water-sewer district lien for nonpayment for water-sewer service would be exempt from this surcharge. Counties would be authorized to pay for collection costs with the six percent portion of fees retained locally for administration.

The document-recording fee established under RCW 36.22.1791 would be amended to allow 6 percent of the counties portion of this fee to cover collection and local distribution costs.

HOMELESS STRATEGIC PLANNING AND REPORTING
By December 1, 2018, and every five years thereafter (as opposed to the 10 currently required), local governments, under the guidance of Commerce, would be required to establish local homeless housing plans with an emphasis in reducing youth homelessness. Commerce could require changes in local governments' plans to be eligible for state funding for homeless programs.

Any local government receiving state funds for homelessness programs would be required to prepare an annual report assessing the current condition of homelessness, funding information, shelter and housing information, and expenditure information.

HOMELESS HOUSING CAPITAL FUNDS
This legislation would authorize use of second quarter Real Estate Excise Tax revenues collected between July 1, 2017 to June 30, 2019 for the acquisition, construction, improvement, or rehabilitation of facilities to provide housing for the homeless. The effective date of this provision would be 90 days after the effective date of the bill.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

EXPENDITURE DIFFERENCES FROM PREVIOUS BILL VERSION:
Calculation of buildable land capacity would no longer be required for new schools or industrial uses at the request of school or port districts. Recordings fees under RCW 36.22.179 would not be expanded to certain documents. As a result, fee revenue projections would be lower than under the original bill, which would result in a proportionate reduction in expenditures for homeless housing planning and services.

EXPENDITURE IMPACTS OF CURRENT BILL VERSION:
This legislation would result in various expenditure impacts for local jurisdictions. Many of these impacts could be significant (over $1 million) and cannot be predicted. These indeterminate impacts are primarily related to numerous thresholds that would require substantial unanticipated land use planning activities (including housing analysis, buildable land analysis, plan revision, and environmental impact analysis). Buildable lands analysis would be expanded to three new counties and cumulative expenditures to conduct this analysis under current methodology within these jurisdictions and the six already covered by these provisions is estimated at $5.35 million per iteration. Indeterminate, but likely significant, supplemental impacts would be incurred to comply with new criteria used to calculate buildable lands analysis. Expenditures to administer the property tax exemptions are indeterminate and it is likely that application fees will significantly offset these costs. Expenditures to comply with new housing planning requirements and expand homeless housing facilities and services will likely be offset by increases in revenue from document recording fees.

Expenditure impacts for this bill would be primarily related to:

BUILDABLE LANDS ANALYSIS
-- Addition of three counties required to conduct buildable lands analysis resulting in cumulative expenditures of $.86 million per iteration with the first iteration occurring in FY 2018;
-- A recalculation of buildable lands analysis in six counties during FY 2018 resulting in cumulative expenditures of $4.49 million per iteration;
-- Indeterminate cost increase to support the development of guidance and data for new buildable land analysis criteria;
-- Indeterminate costs increase to comply with new buildable land calculation criteria; and
-- Unanticipated expenditures associated with subsequent revisions or updates to buildable land analysis when triggered by population growth, affordability criteria, or amount of homes listed for sale;
-- Indeterminate apportionment of grant revenue and buildable lands costs to cities.

LAND USE PLANNING AND GROWTH MANAGEMENT
-- Potential indeterminate expenditures for any city or county planning under the Growth Management Act to conduct a housing analysis if certain thresholds are exceeded;
-- Indeterminate cost increase associated with changes to plans, zoning, growth targets, and development regulations (and associated costs for public process, capital facility plans, concurrency, environmental impact analysis, and legal challenges) when determined necessary by buildable land analysis, population growth or housing supply and affordability review potentially reaching at least $22.46 million if all cities and counties planning under the Growth Management Act were required to conduct major revisions;
-- Possible increased but indeterminate expenditures associated with revisions to growth targets and countywide planning policies; and
-- Indeterminate cost reductions for environmental analysis in locations where jurisdictions have adopted categorical exemptions.

AFFORDABLE HOUSING AND HOMELESS PLANNING
-- Changes in revenue from document recording fees to support collection, distribution, planning and services with a net reduction of $304,000 during FY 2018 and a net increase of $22.5 million starting in FY 2019.
-- Indeterminate one-time costs associated with enacting property tax exemptions for affordable housing in jurisdictions choosing to adopt these measures;
-- Indeterminate cost increase of establishing and/or operating a local affordable housing program to administer the property tax exemption;
-- Additional indeterminate expenditures need to update homeless housing plans every five years instead of 10;
-- Indeterminate cost increase to incorporate supplemental criteria within homeless housing plans and comply with new reporting requirements;
-- Higher costs to provide additional services, facilities, and resources to address homelessness; and
-- Indeterminate increase in costs to provide input and support in the development of state homeless plans and guidelines.

DISCUSSION
BUILDABLE LANDS ANALYSIS RELATED EXPENDITURE DETAILS:
This legislation would require at least one additional round of updates using the new methodology prior to major plan updates in 2022-2024. Expenditures to conduct buildable land analysis under current methodology would result in expenses of approximately $5.35 million (all nine buildable land counties, 2,331,548 housing units x $1.77 = $4.13 million; 2,331,548 housing units x $2.82 = $6.57 million; $4.13 million + $6.57 million / 2). Expenditures using supplemental criteria established by this legislation would result in significantly higher costs. In addition to the scheduled buildable lands analysis, this bill would add sections that could trigger additional iterations for some cities and counties. Additional iterations of buildable lands would be highly likely for most jurisdictions planning under the Growth Management Act in response to housing supply and affordability review as established in Section 2. In addition, numerous jurisdictions would likely need to recalculate their analysis when growth exceeds Office of Financial Management forecasts or criteria as specified in Section 3 of the bill triggering a need for change in land capacity (see discussion below).

This legislation would require three new counties (Benton, Spokane, and Yakima) to complete buildable lands analysis. Using expenditure information from King, Snohomish, and Pierce counties for previous buildable lands analysis, costs are estimated at $1.77 per existing dwelling unit to $2.82 per unit in 2016 dollars. Based upon the most recent estimate of housing units by the Office of Financial Management (OFM), these additional expenditures are anticipated to be $.86 million using current methodologies (Benton, 75,337 housing units + Spokane, 211,405 housing units + Yakima, 88,765 housing units = 375,507 housing units x $1.77 = $664,647; 375,507 housing units x $2.82 = $1,058,930; $.66 million + $1.06 million / 2 = $.86 million).

In addition, the legislation requires the six counties already completing buildable lands analysis to conduct an update by June 30, 2018. Using current methodologies and OFM housing unit estimates, an additional $4.49 million would be needed to meet the requirements of this provision (Clark, 177,495 housing units + King, 906,925 housing units + Kitsap, 110,413 housing units + Pierce, 340,989 housing units + Snohomish, 304,448 housing units + Thurston, 115,771 housing units = 1,956,041 housing units x $1.77 = $3,462,193; 1,956,041 housing units x $2.82 = $5,516,036; $3.46 million + $5.52 million / 2).

It is probable that these costs are significantly understated as they are based on buildable lands analysis prepared using existing requirements. New provisions established under this bill would retain existing requirements and add supplemental criteria. This will likely add significant supplemental costs not only to conduct the analysis but also to monitor and gather additional data on factors including economic modeling, infrastructure availability and alternative development scenarios.

The Urban Land Institute and Commerce to prepare guidance on buildable land assumptions and methodology for new criteria anticipate jurisdictions to participate as stakeholders during work. This would involve travel and staff time costs and could result in per diem expenses for meals and lodging for some participants. These costs cannot be predicted in advance and are indeterminate. In addition, it is not known how many school districts or ports would request calculation of capacity for industrial or educational uses that have not been highlighted in previous analysis and as a result, these expenditures cannot be estimated.

Based upon discussions by jurisdictions participating in the Buildable Lands Advisory Committee (BLAC), local jurisdictions will likely expend staff time or hire consultants to help refine the guidance on new criteria based upon local conditions. In particular, local work is anticipated to document existing and needed infrastructure and it could be extremely costly to integrate water and sewer system information with parcel data. Existing databases and information systems may need to be revised or replaced in order to incorporate new criteria, such as the presence of non-critical area natural constraints, on a parcel-by-parcel basis. These costs could range from $30,000 to over $100,000 per jurisdiction (BLAC).

HOUSING SUPPLY AND AFFORDABILITY REVIEW RELATED EXPENDITURE DETAILS:
Based upon criteria listed in the bill, it is likely that most cities and counties will need to undertake at least one housing supply and affordability review between regular updates of their comprehensive plans. This will provision will apply to all cities and counties planning under the Growth Management Act covering 95 percent of statewide population.

For the purposes of this analysis, it is assumed that all cities located within a county will be required to conduct this review when the county meets at least one of the triggering criteria. Using information on the number of months of residential inventory available for sale by county from the Runstad Center over the last eight quarters, 16 counties would meet or exceed the standards requiring this review. Supplemental criteria comparing actual and planned growth would add three counties using the OFM population mid population forecast from 2012 and actual growth. It is probable that multiple counties, and cities within, would need to undertake two rounds of this analysis between regular comprehensive plan updates as Benton, Clark, Franklin, King, Kitsap, Pierce, Snohomish, Spokane, and Thurston counties all had less than four months of residential inventory in at least six of the last eight quarters. These counties contain approximately 75 percent of all housing units statewide.

The costs to prepare this analysis and take responsive actions is indeterminate. It is likely that expenditures will be similar to the cost of a regular comprehensive plan updates, especially if zoning capacity and associated capital facility planning need to be updated in response to the results of the analysis. Special districts may need to adjust service and capital facility plans in order to adjust to changes in anticipated development. Costs for recent comprehensive plan updates appear to range from $7.27 per housing unit to $8.33 per unit with a median cost of $7.80 per housing unit (Bremerton, Walla Walla). If counties containing 75 percent of housing units statewide were required to conduct one round of updates triggered by these provisions it is estimated that local government expenditures would increase by approximately $17.71 million (All counties statewide, 3,043,638 housing units x .75 = 2,270,150 housing units x $7.80). Additional counties planning under the Growth Management Act comprise 20 percent of housing units statewide and could incur costs of $4.75 million to complete one update (All counties statewide, 3,043,638 housing units x .20 = 608,737 housing units x $7.80).

These potential costs are associated with the update of plans under current provisions and urban growth areas. Any significant increase in densities or expansion of urban growth areas could result in higher costs associated for public process, environmental impact analysis and legal challenges. In addition, supplemental expenditures may be needed to meet concurrency and infrastructure requirements. These costs are indeterminate.

POPULATION GROWTH TRIGGERED PLAN REVISION RELATED EXPENDITURE DETAILS:
These costs mentioned above are also likely in circumstances where actual residential growth exceeds planned growth in the prior year. In these situations, jurisdictions would be required to increase buildable land capacity. The number of times this will occur cannot be estimated as growth targets would need to be assembled and transformed from a long-range goal into a discrete annual figure. It is possible this measure could be triggered each year for some jurisdictions.

GROWTH TARGET RELATED EXPENDITURE DETAILS:
Cities, counties, special districts, and regional planning organizations are anticipated to incur indeterminate expenses when growth targets are increased within their own boundaries or when an increase is made by a neighboring jurisdiction. For adjustments within their own boundaries, costs will be similar to the adjustments to buildable land capacity listed above. When neighboring jurisdictions initiate a change in targets, a local government may need to adjustment local plans, modeling, impact analysis, and capital facility plans depending upon the scope of the change.

Regional planning organizations would likely experience an indeterminate reduction in costs associated with review and approval of local plans.

AMENDMENTS TO COUNTYWIDE PLANNING POLICY RELATED EXPENDITURE DETAILS:
Counties may need to adjust their countywide planning policies as well as associated amendment and appeals processes. The number of counties that already comply with these provisions is not known and therefore an estimate of fiscal impact related to the adoption of the provisions contained in the bill is not possible.

STATE ENVIRONMENTAL POLICY ACT (SEPA) RELATED EXPENDITURE DETAILS:
The expense of Environmental Impact Statement (EIS) preparation could be reduced for cities, counties, or special districts in locations where the local jurisdiction adopts categorical exemptions from SEPA for an infill development area that implements a comprehensive

plan, subarea plan, fully contained community, master planned resort or phased project containing a major transit stop. In these circumstances, State Environmental Policy Act impact analysis could be accomplished through a threshold determination that is assumed to be less expensive as the preparation of a full EIS on projects such as planned actions appears to range between $100,000 and $1 million (Bellevue, Seattle, General Accounting Office). The number of potential instances where this change would apply will depend upon local actions and cannot be predicted.

AFFORDABLE HOUSING TAX EXEMPTION RELATED EXPENDITURE DETAILS:
Cities and counties that choose to adopt a property tax exemption program for affordable housing would incur indeterminate expenditures related to:
-- One-time ordinance or resolution costs adopting the property tax exemption and associated affordable housing program(s)
-- Costs associated with establishing the affordable housing program(s)
-- Ongoing program administration costs.

These costs are indeterminate, but would be a local option and would begin concurrent with the process of developing and adopting the exemption and associated affordable housing program(s). It is likely that a significant portion of these expenditures will be offset by revenue from application fees. The number of jurisdictions electing to utilize these provisions cannot be predicted.

Tax exemption ordinance costs:
In order to enact the property tax exemption, the jurisdiction could incur costs developing the ordinance and associated housing program(s). These costs would vary by jurisdiction based upon factors including the exemption parameters and the extent of public involvement and hearings used in development of the program.

The Local Government Fiscal Note Program estimates that the cost of adopting an ordinance and holding a hearing on an issue of moderate complexity averages $2,800 per jurisdiction while a complex ordinance and hearing is estimated at $5,000 per jurisdiction. These costs do not reflect staff time needed to develop the parameters of the program.

Tax exemption program establishment and administration costs:
The costs incurred by a city or county to establish and administer these provisions would vary based upon the extent of the program as well as the existence of similar existing affordable housing programs that could be used to administer the new program. These costs cannot be estimated in advance and are indeterminate.

RECORDING FEES AND HOMELESS STRATEGIC PLANNING AND REPORTING RELATED EXPENDITURE DETAILS:
Expenditures would vary based upon factors such as the number of documents recorded, the breakdown of costs by tasks, and the amount of funds received from the state to supplement local efforts. As a result, the exact cost impacts cannot be precisely identified and are indeterminate. These expenditures are anticipated to generally match increases in revenue.

Increases in expenditures would be used to:
-- Update homeless housing plans every five years instead of 10;
-- Incorporate supplemental criteria within homeless housing plans;
-- Comply with expanded and more frequent reporting requirements;
-- Provide input and support in the development of state plans and guidelines;
-- Conform with new voucher standards in jurisdictions that issue them directly or through contractor(s); and
-- Provide additional services, facilities and resources to address homelessness.

It is assumed that the increase in revenue designated for administrative purposes would be sufficient to meet the new planning and reporting requirements (King County).

HOMELESS HOUSING CAPITAL FUND RELATED EXPENDITURE DETAILS:
An indeterminate increase in expenditures would occur in jurisdictions that choose to designate Real Estate Excise Taxes collected for the second quarter between July 1, 2017 to June 30, 2019 for the acquisition, construction, improvement, or rehabilitation of facilities to provide housing for the homeless.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

REVENUE DIFFERENCES FROM PREVIOUS BILL VERSION:
Changes to the document recording fee provisions under RCW 36.22.179 result in revenue projections that are approximately $5.19 million lower than under the original bill. This change is primarily related to retaining the exemptions on recording fees for birth, marriage, divorce or death and is offset to an extent by the change allowing county auditors to retain 2 percent of document recording fee

revenue.

REVENUE IMPACTS OF CURRENT BILL VERSION:
This legislation would result in changes to document recording fees that would result in a decrease in funding of $304,000 during FY 2018 and an increase of $22.5 million per year between July 1, 2019 and July 1, 2027. Grants from the Department of Commerce are anticipated to provide $4.72 million in FY 2018 to assist nine counties with completion of buildable land analysis. Revenues from grants to conduct future buildable lands analysis is indeterminate. Property tax and application fee revenue impacts in jurisdictions enacting property tax exemptions for affordable housing are indeterminate. Impacts to local governments resulting from tax shifts related to property tax exemptions are indeterminate.

Revenue impacts to local governments will primarily occur through:
-- Grants from Commerce to local governments to assist with buildable land analysis estimated at $4.72 million in FY 2018;
-- Indeterminate property tax impacts to cities, counties, and special districts in any county where exemptions to support affordable housing development are adopted;
-- A net decrease in funding from document recording fees of $304,000 in FY 2018 and a net increase of $22.5 million per year from July 1, 2019 until 2027; and
-- Revenue increases for buildable land grants and document recording fees will occur for counties with an indeterminate allocation of this revenue to cities.

BUILDABLE LANDS ANALYSIS:
Commerce estimates $4,721,000 would be provided in grants to the affected counties. This analysis must be completed by June 30, 2018 and expenditures are assumed to occur during FY 2018. Counties would likely apportion funds to local jurisdictions to assist with their analysis but a breakdown of revenue provided to municipal jurisdictions cannot be predicted.

The likelihood of revenue from grants to cover subsequent updates is not known and is indeterminate.

AFFORDABLE HOUSING TAX EXEMPTIONS:
This bill would result in indeterminate revenue impacts to jurisdictions. Jurisdictions electing to adopt the exemption may experience a loss of property tax revenue and an increase in revenue from application fees. Special districts may experience an indeterminate loss of property tax revenue due to tax shift.

According to the Department of Revenue, revenue loss to local government property tax revenue is indeterminate because it is unknown which cities or counties would adopt a property tax exemption program to preserve affordable housing. In addition, the number of properties applying for the exemption cannot be estimated. These figures will impact the magnitude of revenue impact experienced by special districts.

Revenue from fees charged to administer the program would be established by the jurisdiction at the time of adoption and cannot be predicted.

These impacts would occur for property tax revenue due in 2018 and thereafter.

Jurisdictions that would be authorized to adopt the property tax exemption under the provisions of this bill may experience fiscal impacts that significantly differ between jurisdictions. These impacts will vary because of differences in factors such as: average assessed value of development; local market demand for affordable housing units; capacity and interest of local developers; and the prevalence of existing affordable housing program that would facilitate development and reduce costs for these projects.

Property Tax Revenue Impacts from Affordable Housing Tax Exemptions:
This bill would affect property tax revenue for cities and counties that choose to adopt this program and the local taxing districts within those jurisdictions. County legislative authorities would need to approve the exemption in order for their property tax revenue to be exempted. The revenue impacts are indeterminate because it is unknown which cities or counties would adopt this property tax exemption program. In addition, the number of properties that will pursue the exemption cannot be predicted (Seattle Office of Housing).

Tax Shift and Revenue Loss:
Tax exemptions lower the taxable value against which taxing districts levy their taxes. When exemptions are enacted, taxing districts may compensate for the loss in taxable value by increasing the tax rate for taxpayers who are not eligible for the exemptions. Consequently,

taxpayers who do not benefit from the exemption would pay a higher tax. This higher tax results in a tax shift from the exempt taxpayers to the non-exempt taxpayers. However, when a taxing district is restricted from increasing the tax rate due to a levy limit, the taxing district incurs a revenue loss.

Application Fees from Affordable Housing Tax Exemptions:
Jurisdictions will receive an indeterminate amount of revenue through fees charged at the time of application by a property owner for the exemption. These fees may be set up to an amount needed to cover the cost of administering the program.

RECORDING FEES:
This legislation is estimated to result in a net loss in local government revenue of $304,000 million per year until June 30, 2019 and result in a net increase of $22.5 million after that date (losses of $304,000 offset by an additional $22.8 million per year after that date).

The number of documents recorded by each county is not known. As a result, a proportionate breakdown of revenue impact by jurisdiction is not possible. However, it is estimated that changes in county revenue would be proportionate to that county's statewide percentage of documents subject to the recording fee. In addition, the portion of fees that are provided to municipal governments is not known.

RCW 36.22.178 fees:
The distribution formula for the “affordable housing for all” document recording fee under RCW 36.22.178 would be adjusted. Currently, the county auditor retains $0.05 of every $1 in fees collected with 60 percent of the remaining $0.95 or $0.57 ($0.60 x .6 = $0.57) allocated to the county and 40 percent allocated to the state. Total county revenue under the existing provisions of RCW 36.22.178 is $0.62 ($0.05 + $0.57) of every dollar in fee revenue collected.

This legislation would eliminate the initial portion retained by the county auditor. The county would receive $0.60 percent of each dollar in document recording fee revenue collected ($1 x .6 = $0.60). As a result, total revenue retained by the county will decrease by two percent or $0.02 for every dollar in fee revenue collected ($0.62 - $0.60 = $0.02).

Approximately 1.52 million documents recorded each year are subject to this recording fee with net revenue of $15.2 million (1.52 million x $10). Net loss to county revenue is estimated at $304,000 per year ($15.2 million x .02).

RCW 36.22.179 fees:
The distribution formula for the document recording fee under RCW 36.22.179 would not be adjusted. Currently, the county auditor retains $0.02 of every $1 in fees collected with 60 percent of the remaining $0.98 or $0.588 ($0.98 x .6 = $0.588) allocated to the county and 40 percent allocated to the state. Total county revenue under the existing provisions of RCW 36.22.179 is $0.608 ($0.02 + $0.588) of every dollar in fee revenue collected.

The current $40 surcharge, which is scheduled to revert to $10 on June 30, 2019, would be extended until June 30, 2027. Currently about 1.25 million documents recorded each year are subject to the recording fee established under RCW 36.22.179. By extending the expiration date of this fee, a $30 net increase in revenue after June 30, 2019 would provide a $22.8 million annual increase in local revenue (1.25 million x $30 = $37.5 million x .608) after that date. The number of water-sewer liens that would be exempted from the recording fee is not known and any change in revenue from this provision cannot be estimated with accuracy.

RCW 36.22.1791 fees:
The document recording fee established under RCW 36.22.1791 would be amended to allow 6 percent of the counties portion of this fee to cover collection and local distribution costs. The amount of fee revenue to counties would not change. It is not known if counties would choose to provide a portion of retained fees to auditors to cover collection costs.

HOMELESS HOUSING CAPITAL FUNDS:
This legislation would not increase or decrease the amount of Real Estate Excise Tax revenue but would alter the allowable use of those funds.

SOURCES:
Buildable Land Advisory Committee
City of Bellevue
City of Bremerton
City of Seattle

City of Walla Walla
Department of Commerce
Department of Revenue
Department of Revenue Property Tax Statistics
King County
Local Government Fiscal Note on HB 1570 (2017)
Local Government Fiscal Note on SB 5182 (2017)
Local Government Fiscal Note on SB 6239 (2016)
Local Government Fiscal Note on SB 6671 (2016)
Local Government Fiscal Note Unit Cost Data 2017
Municipal Research Services Center
Office of Financial Management
Office of the State Treasurer
Pierce County
Runstad Center
Snohomish County
Spokane County
U.S. General Accounting Office
Washington Association of County Officials