

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1167 HB	<b>Title:</b> Residential housing
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## Estimated Cash Receipts

NONE

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Commerce	Fiscal note not available											
Department of Enterprise Services	.3	144,000	144,000	144,000	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.3</b>	<b>144,000</b>	<b>144,000</b>	<b>144,000</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
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 Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Commerce	Fiscal note not available								
Department of Enterprise Services	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
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 Breakout

NONE

<b>Prepared by:</b> Gwen Stamey, OFM	<b>Phone:</b> (360) 790-1166	<b>Date Published:</b> Preliminary
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1167 HB	<b>Title:</b> Residential housing	<b>Agency:</b> 179-Department of Enterprise Services
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5	0.0	0.3	0.0	0.0
<b>Account</b>					
General Fund-State 001-1	144,000	0	144,000	0	0
<b>Total \$</b>	144,000	0	144,000	0	0

### Estimated Capital Budget Impact:

NONE

*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: Serena Dolly	Phone: 360-786-7150	Date: 01/14/2023
Agency Preparation: Michael Diaz	Phone: (360) 407-8131	Date: 01/19/2023
Agency Approval: Ashley Howard	Phone: (360) 407-8159	Date: 01/19/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/19/2023

## Part II: Narrative Explanation

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

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Section 1 adds a new section to RCW 36.70A and describes the requirements and processes for the Department of Commerce to develop and administer a grant program to provide financial assistance to counties and cities to adopt preapproved middle housing plans. This has no fiscal impact to the Department of Enterprise Services (DES).

Section 2 adds a new section to RCW 19.27 requiring the state building code council (SBCC) to create a work group whose purpose is to recommend changes to rules or codes that are necessary to adopt multiplex housing codes from the international residential code and exempt multiplex housing from the international building code. The adoption of this rule requires off-cycle rulemaking. The council must take action by December 1, 2024, and the workgroup must provide the recommendations to SBCC in time to adopt or amend the codes for implementation by 2025. This has fiscal impact to DES

Section 3 amends RCW 43.21C.229 and 2020 c 87 s 1 to define exemption terms further. This has no fiscal impact to DES.

Section 4 adds a new section to RCW 36.70A and describes the requirements of cities and counties to adopt or amend their regulations to take effect by July 1, 2025. This has no fiscal impact to DES.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

Section 2 requires the State Building Code Council (SBCC) to develop a workgroup and make recommendations to change rules or codes related to multiplex housing codes. The current implementation date identified in HB 1167 would require off-cycle code adoption by SBCC. Off-cycle rulemaking requires additional Council and Technical Advisory Group (TAG) meetings, public hearings, and testimony.

The SBCC would need to meet for an additional four council meetings with eight council members, twenty-two advisory meetings with one member, two public hearings with one member, and four building, fire and plumbing committee meetings with seven members to establish these codes. Travel costs for an SBCC member to attend a meeting are as follows:

- Round-trip air travel \$527
- Per Diem \$311
- Rental car \$50
- Parking \$12
- Total \$900/day

Four Council Meetings multiplied by eight council members equals \$28,800. Twenty-two Advisory Meetings multiplied by one council member equals \$19,800. Two public hearings meetings multiplied by one council member equals \$1,800. Four building, fire and plumbing committee meetings multiplied by seven council members equals \$25,200. The total fiscal impact for travel costs for DES is estimated to be \$75,600.

Off-cycle rulemaking also impacts the administrative staff that supports the SBCC.

For purposes of this analysis, it is assumed that 1 of a Management Analyst 5 would be required for 6 months and the position would start July 1, 2023.

The impact to the administrative staff that supports the SBCC will be reevaluated at the end of the legislative session to determine the combined impact of legislation passed. A supplemental budget request to right size the staffing levels might be needed for the 2024 session.

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	144,000	0	144,000	0	0
<b>Total \$</b>			144,000	0	144,000	0	0

**III. B - Expenditures by Object Or Purpose**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5		0.3		
A-Salaries and Wages	45,800		45,800		
B-Employee Benefits	15,600		15,600		
C-Professional Service Contracts					
E-Goods and Other Services	7,000		7,000		
G-Travel	75,600		75,600		
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	144,000	0	144,000	0	0

**III. C - Operating FTE 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 2024	FY 2025	2023-25	2025-27	2027-29
Management Analyst 5	91,524	0.5		0.3		
<b>Total FTEs</b>		0.5		0.3		0.0

**III. D - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

## **Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1167 HB

Title: Residential housing

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

### Legislation Impacts:

Cities: Fully planning cities would be required to amend existing residential development code to accommodate multiplex developments and residential development near common core locations; cities with categorical exemption for infill development would be required to amend local code.

Counties: Same as above.

Special Districts:

Specific jurisdictions only:

Variance occurs due to:

## Part II: Estimates

No fiscal impacts.

Expenditures represent one-time costs: Analysis and ordinance adoption are one-time costs for impacted cities and counties.

Legislation provides local option: Applying for the grants in the program created by Sec. 1 of this act.

Key variables cannot be estimated with certainty at this time: Funding level of the grant program and which jurisdictions would apply; added workload to adopt new infill development regulations beyond adopting this statute by reference into local code; number of jurisdictions with infill development in their municipal code; additional analysis necessary for adopting ordinances specified in Sec. 4.

### Estimated revenue impacts to:

None

### Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

## Part III: Preparation and Approval

Fiscal Note Analyst: Jordan Laramie	Phone: 360-725-5044	Date: 01/18/2023
Leg. Committee Contact: Serena Dolly	Phone: 360-786-7150	Date: 01/14/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/18/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 01/20/2023

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

*Description of the bill with an emphasis on how it impacts local government.*

This legislation would increase the options available to fully planning cities and counties to expand middle housing near high capacity transit lines, commuter rail, rapid bus lines, schools, and public parks. Within these fully planning jurisdictions, development permits and environmental review processes for multiplex development would be required to be in alignment with single-family developments

The bill authorizes a Department of Commerce administered grant program that is meant to assist cities and counties with adopting preapproved middle housing plans. These plans would have a selection of middle housing architectural plans that are preapproved by city and county officials and in compliance with city and county code. The plans would streamline administrative approval of middle housing projects by local governments.

This bill would also expand categorical exemption for infill development under the State Environmental Policy Act (SEPA) to allow for residential development within one-quarter mile of a community core location.

Sec. 1 would add a new section to 36.70A RCW

The Department of Commerce must establish a grant program for cities and counties for the purposes of creating and approving middle housing plans.

Sec. 3 would amend 43.21C.229 RCW

Within an urban growth area, the State Environmental Policy Act (SEPA) categorical exemption for infill development would be amended to allow for residential development within one-quarter mile of a community core location.

Community core locations include:

Stops on high capacity transit systems funded by regional transit authorities,

Commuter rail stops,

Stops on bus rapid transit routes,

A stop designated as a “major transit stop” under the authority of 36.70A.210(7),

Public schools, common schools, or private schools,

and public parks operated by the state or local governments.

Sec. 4 would add a new section to 36.70A

Authorizes that in residential zones that allow for multiplex housing, fully planning local governments may not impose zoning, siting, parking, design review, or other housing standards that are more restrictive than those required for single-family residences, with exceptions for health and fire safety requirements. Authorizes that within one-quarter mile of a community core location, fully planning local governments may not prohibit residential developments that are built to the property line, except that such buildings may be required to adhere to fire code requirements.

Fully planning cities and counties must adopt these into development regulations, zoning regulations, and other official controls into their local code by July 1, 2025.

Multiplex housing within the bill is defined as duplexes, triplexes, fourplexes, fiveplexes, sixplexes, attached and detached accessory dwelling units, cottage housing, stacked flats, townhouses, or courtyard apartments. Common core locations has the same definition found in Sec. 3.

The bill takes effect 90 days after adjournment of the session in which the bill is passed.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*



This legislation would have indeterminate expense impacts for fully planning cities and counties. For costs that can be estimated at this time, the impact of this bill would be \$4.58 million with implementation of amended ordinances and accompanying analysis starting in FY25 to be complete the beginning of FY26. However, it is anticipated that not all cities and counties would have their ordinances complete at this time, at which point Sec. 4(3) would take effect, per Sec. 4(2) of this bill.

#### IMPACTS OF SECTION 1

Indeterminate - Local governments applying for preapproved middle housing planning grants from the Department of Commerce would do so as a local option.

The Association of Washington Cities (AWC) indicate that these plans would be similar to work that cities do to create ADU design standards. However, the workload to make the plans would be more expensive than the ADU plans, because the middle housing definition includes “duplexes, triplexes, fourplexes, five-plexes, six-plexes, attached and detached accessory dwelling units, cottage housing, stacked flats, townhouses, or courtyard apartments” per Sec. 1(3)(b)

#### IMPACTS OF SECTION 3

Indeterminate - For local governments that have State Environmental Policy Act (SEPA) categorical exemptions for infill development, there would be costs to incorporate the provisions of Sec. 3 into their local code. Many jurisdictions have adopted SEPA categorical exemptions by reference and incorporating the provisions of this act for common core locations may be carry minimal costs for these jurisdictions. However, other jurisdictions may need to amend other development and zoning regulations to incorporate the changes to existing infill development exemptions, which would have more significant costs. The number of cities and counties that would choose one option or the other cannot be determined in advance.

The Local Government Fiscal Program Unit Cost Model estimates that the cost the typical cost per jurisdiction to adopt an ordinance with a hearing of the same complexity from \$2,958 for a simple ordinance to \$9,492 for a complex ordinance. These estimates include costs for draft ordinances, advisory commission meeting and recommendation, finalized ordinance, publication of ordinance, and general public information. Assuming these ordinances are complex, with a hearing of the same complexity the following ordinance adoption costs can be estimated:

\$2,958 per city or county that chooses to adopt the categorical exemption in this act by reference.

Starting costs of at least \$9,492 for each city and county that adopts the categorical exemption in a more substantive manner.

#### IMPACTS OF SECTION 4

Indeterminate – This planning work would include analysis and new ordinances in 216 cities and 28 counties that fully plan under the Growth Management Act. For costs that can be estimated at this time there would be \$3.9 million in new expenses for cities and \$680,000 for counties to adopt and implement the provisions of Sec. 4.

Fully planning cities and counties would be required to adopt new development regulations, zoning regulations, or other official controls into their local code for multiplex housing and for residential developments within a quarter mile of a common core location. The Association of Washington Cities indicate that this work would impact development regulations that pertain to areas that are zoned for multifamily already. It would require planning department staff time to sort out which parts of the city are impacted and confirm any change any codes that are impacted by Sec. 4(3)(a) through Sec. 4(3)(c). These ordinances may have costs similar to S HB 1782 (2022) for cities and S HB 1289 (2021) that added new zoning ordinances for middle housing. However, these ordinances would amend existing local code, which AWC has indicated as having higher costs. The starting costs would be approximately \$10,000 to \$30,000 per city and \$20,000 to \$30,000 per county. Additional analysis would likely be required for fully planning cities and counties with a greater

number of residential zones allowing multiplex housing and common core locations to determine how many, and in what parts of the jurisdiction these regulations apply.

Costs for provisions in Sec. 4(3) include: analyzing comprehensive plan policies and municipal code to determine extent of amendments required; drafting informational materials on reasons for, and approach to, allowing middle housing (e.g. design regulations to ensure compatibility) for public review; conducting outreach to inform and solicit feedback from residential neighborhoods and developers; drafting proposed amendments for the city's planning commission considerations; a planning commission public hearing and recommendation to the city council; a presentation of the city planning commission's recommendations to the city council; and a city council public hearing and action. If the zoning ordinances are adopted at the same time, there may be potential cost savings by doing the planning and implementation work concurrently.

129 cities under 10,000 in population x \$10,000 = 1,290,000  
87 cities greater than 10,000 in population x \$30,000 = \$2,610,000  
216 cities = \$3,900,000

16 counties under 100,000 in population x \$20,000 = \$320,000  
12 counties greater than 100,000 in population x \$30,000 = \$360,000  
28 counties = \$680,000

Total estimated costs: \$3,900,000 + \$680,000 = \$4,580,000

Some jurisdictions may elect not to bring their codes into conformance with the requirements of this legislation prior to the applicable deadline. In these jurisdictions, the provision of Sec. 4(3) would automatically apply and take effect, per Sec. 4(2). It is unclear if these jurisdictions would incur any legal costs based upon codes that do not conform to the required code measures. Such costs cannot be anticipated in advance and are indeterminate.

### **C. SUMMARY OF REVENUE IMPACTS**

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

There is no local government revenue impact for this bill.

Should the legislature appropriate funding for the specific purposes of Sec. 1 of this act, there would be an indeterminate increase in local government revenue. The funding level of the grant program is not currently known, nor are the number of cities and counties that would submit applications for the preapproved middle housing plans. Local governments applying for grants from the Department of Commerce would do so as a local option.

#### **SOURCES:**

Association of Washington Cities  
Local Government Fiscal Note Program, Unit Cost Model (2023)  
Local Government Fiscal Note Program, FN S HB 1782 (2022)  
Local Government Fiscal Note Program, FN S HB 1289 (2021)  
Municipal Research and Services Center, Local Ordinances for Washington Cities and Counties (2016)