

Multiple Agency Fiscal Note Summary

Bill Number: 5258 SB	Title: Condos and townhouses
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Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	(1,100,000)	(1,300,000)	(1,395,000)	(2,230,000)	(2,630,000)	(2,820,000)	(4,490,000)	(5,280,000)	(5,650,000)
Total \$	(1,100,000)	(1,300,000)	(1,395,000)	(2,230,000)	(2,630,000)	(2,820,000)	(4,490,000)	(5,280,000)	(5,650,000)

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		(760,000)		(1,480,001)		(2,550,000)
Local Gov. Other	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.					
Local Gov. Total		(760,000)		(1,480,001)		(2,550,000)

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 Revenue	.5	118,400	118,400	118,400	.0	0	0	0	.0	0	0	0
Department of Enterprise Services	.5	1,146,000	1,146,000	1,146,000	.0	0	0	0	.0	0	0	0
Total \$	1.0	1,264,400	1,264,400	1,264,400	0.0	0	0	0	0.0	0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Total									
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Enterprise Services	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

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

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final
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Department of Revenue Fiscal Note

Bill Number: 5258 SB	Title: Condos and townhouses	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 57 - Real Estate Excise	(260,000)	(840,000)	(1,100,000)	(2,230,000)	(4,490,000)
Public Works Assistance Account-State 01 - Taxes 57 - Real Estate Excise	(20,000)	(60,000)	(80,000)	(150,000)	(290,000)
Education Legacy Trust Account-State 01 - Taxes 57 - Real Estate Excise	(50,000)	(150,000)	(200,000)	(400,000)	(790,000)
City County Assistance Account-State 01 - Taxes 57 - Real Estate Excise	(5,000)	(10,000)	(15,000)	(40,000)	(80,000)
Total \$	(335,000)	(1,060,000)	(1,395,000)	(2,820,000)	(5,650,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.0		0.5		
GF-STATE-State 001-1	118,400		118,400		
Total \$	118,400		118,400		

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: Ryan Giannini	Phone: 607867285	Date: 01/19/2023
Agency Preparation: Beth Leech	Phone: 60-534-1513	Date: 01/20/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/20/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/20/2023

Request # 5258-1-1

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.

This fiscal note only addresses sections 14, 15, and 16 of the bill, which impact the Department of Revenue (department).

CURRENT LAW:

Real estate excise tax (REET) applies to the sale or transfer of real property unless the transaction qualifies for a specific tax exemption.

PROPOSAL:

This bill exempts the sale of a condominium to a homebuyer that qualifies or uses the Washington State Housing Finance Commission's first-time homebuyer program from REET.

This bill also requires changes to the local ordinances that impose impact fees.

EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session. However, the department is unable to implement the bill until January 1, 2024 because of the time it will take to make programming changes.

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.

ASSUMPTIONS

- Homebuyers exempt from REET under this bill use one of the first-time homebuyer programs offered by the Washington State Housing Finance Commission.
- The purchase price of qualified condominium will average \$434,000 through December 31, 2026, and \$612,000 thereafter.
- All of the qualified condominiums will fall under the first and second graduated REET tiers with a state rate of 1.1% and 1.28%.
- Approximately 360 condominium buyers will participate in in the home advantage program.
- Growth mimics the growth of REET in the Economic and Revenue Forecast Council's November 2022 forecast.
- Property sales price growth mimics the 5-year compound annual growth for existing property values by county.
- This bill impacts 5 months of cash collections in Fiscal Year 2024.

DATA SOURCES

- Department Integrated Property Tax Models
- Economic and Revenue Forecast Council November 2022 forecast
- Washington State Housing Finance Commission
- National Association of Realtors

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$300,000 in the 5 months of impacted collections in fiscal year 2024, and by \$1 million in fiscal year 2025, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$200,000 in the 5 months of impacted collections in fiscal year 2024, and by \$600,000 in fiscal year 2025, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

Request # 5258-1-1

State Government (cash basis, \$000):

FY 2024 - (\$ 335)
 FY 2025 - (\$ 1,060)
 FY 2026 - (\$ 1,130)
 FY 2027 - (\$ 1,690)
 FY 2028 - (\$ 2,710)
 FY 2029 - (\$ 2,940)

Local Government, if applicable (cash basis, \$000):

FY 2024 - (\$ 180)
 FY 2025 - (\$ 580)
 FY 2026 - (\$ 630)
 FY 2027 - (\$ 850)
 FY 2028 - (\$ 1,220)
 FY 2029 - (\$ 1,330)

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.

FIRST YEAR COSTS:

The department will incur total costs of \$118,400 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 1.0 FTE.

- Create a Special Notice and identify publications and information that needs to be updated on the department's website.
- Provide training to the counties for the addition of the new exemption.
- Implementation meetings, documentation, and testing of system changes.
- Set up, program, and test computer system changes.

Object Costs - \$6,600.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will incur minimal total costs in fiscal year 2025 and will absorb within current funding.

ONGOING COSTS:

The department will have minimal ongoing costs and will absorb within current funding.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.0		0.5		
A-Salaries and Wages	62,900		62,900		
B-Employee Benefits	20,800		20,800		
C-Professional Service Contracts	6,600		6,600		
E-Goods and Other Services	16,100		16,100		
G-Travel	3,500		3,500		
J-Capital Outlays	8,500		8,500		
Total \$	\$118,400		\$118,400		

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EXCISE TAX EX 3	61,632	0.8		0.4		
EXCISE TAX EX 4	68,076	0.2		0.1		
Total FTEs		1.0		0.5		

III. C - 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

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5258 SB	Title: Condos and townhouses	Agency: 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	0.5	0.5	0.0	0.0
Account					
General Fund-State 001-1	573,000	573,000	1,146,000	0	0
Total \$	573,000	573,000	1,146,000	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: Ryan Giannini	Phone: 3607867285	Date: 01/19/2023
Agency Preparation: Michael Diaz	Phone: (360) 407-8131	Date: 01/24/2023
Agency Approval: Ashley Howard	Phone: (360) 407-8159	Date: 01/24/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/24/2023

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 13 is a new section added to RCW 19.27 that requires the State Building Code Council (SBCC) to adopt building and energy code provisions for multiunit residential buildings between two and 12 units and three or fewer stories. The Department of Enterprise Services (DES) assumes that this code adoption will be done within the standard code cycle adoption process and will be effective in 2026. This has no fiscal impact.

Section 13 also requires SBCC to approve a variety of complete building designs and styles that are compatible in size and form with single-family neighborhoods and capable of being constructed on common residential lot sizes. The creation and adoption of building designs and styles is not currently within the scope of authority or responsibility of the SBCC. This has a 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 13 requires the SBCC to adopt building designs and styles. SBCC does not have the expertise to do this and would need to contract with a third party for this work. DES estimates the costs to prepare architectural and engineering plans and to conduct plan check and approvals would be \$1,000,000, spread out over 2 fiscal years. Should costs exceed this estimate supplemental funding will be needed.

Assisting the contractor in creating the building designs and styles and coordinating the review and approval of the SBCC will require additional resources.

For purposes of this analysis, it is assumed that 0.5 of a Management Analyst 5 would be required for 2 years 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	573,000	573,000	1,146,000	0	0
Total \$			573,000	573,000	1,146,000	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5	0.5	0.5		
A-Salaries and Wages	45,800	45,800	91,600		
B-Employee Benefits	15,600	15,600	31,200		
C-Professional Service Contracts	500,000	500,000	1,000,000		
E-Goods and Other Services	11,600	11,600	23,200		
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 \$	573,000	573,000	1,146,000	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	0.5	0.5		
Total FTEs		0.5	0.5	0.5		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: 5258 SB	Title: Condos and townhouses
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities: Indeterminate impacts
- Counties: Same as above
- Special Districts: Same as above
- Specific jurisdictions only:
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs: Costs to amend codes
- Legislation provides local option: Jurisdictions may reduce building code and energy standards to make projects more affordable.
- Key variables cannot be estimated with certainty at this time: Number of cities with “housing type” based impact fees, Number of jurisdictions where subdivision and code changes would be required.

Estimated revenue impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City	(53,610)	(172,742)	(226,352)	(440,791)	(759,469)
County	(65,900)	(212,345)	(278,245)	(541,846)	(933,586)
Special District	(60,490)	(194,913)	(255,403)	(497,364)	(856,945)
TOTAL \$	(180,000)	(580,000)	(760,000)	(1,480,001)	(2,550,000)
GRAND TOTAL \$					(4,790,001)

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated expenditure impacts to:

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

Part III: Preparation and Approval

Fiscal Note Analyst: Allan Johnson	Phone: 360-725-5033	Date: 01/30/2023
Leg. Committee Contact: Ryan Giannini	Phone: 3607867285	Date: 01/19/2023
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 01/30/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/30/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

This legislation contains multiple provisions that pertain to construction defect claims and warranties for condominium construction that would not result in impacts to local governments.

Section 13: The Building Code Council must adopt specific building and energy code provisions for multiunit residential buildings between two and twelve units, and three or fewer stories, including approval of a variety of building designs and styles compatible with single-family neighborhoods and capable of being constructed on common residential lot styles. Jurisdictions must adopt these provisions and may modify them only if they decrease design, permitting or construction costs.

Section 14: The sale of a condominium unit to a first-time homebuyer who is eligible for the first-time homebuyer program offered by the Washington State Housing Finance Commission is exempt from the real estate excise tax. This provision expires January 1, 2030.

Section 16: Impact fee schedules shall reflect the proportionate impact of new housing units, including multifamily and condominium units, based on the square footage and number of bedrooms in the housing unit.

Section 17: All cities, towns, and counties shall include in their short plat regulations procedures for unit lot subdivisions allowing division of a parent lot into separately owned unit lots. Portions of the parent lot not subdivided for individual units shall be owned in common by the owners of the individual unit lots or by a homeowner's association.

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 an indeterminate impact on cities and counties planning under the Growth Management Act (GMA) to incorporate new impact fee schedules. Additional indeterminate costs to all cities and counties would be associated changes to subdivision ordinances and other code changes. Optional changes to building and energy codes may result in indeterminate costs in jurisdictions which elect to take action, but as this is a local option there is no impact to local governments for these provisions.

IMPACT FEE EXPENDITURES:

Indeterminate – Jurisdictions planning under GMA that currently have impact fees based on “housing type” (such as those that have different fee rates for detached single family units and multi-family units) would be required to undertake reconfiguration of their schedule of some combination of transportation, park, school, and fire protection impact fees. Each jurisdiction planning under the Growth Management Act is authorized to impose these impact fees to help pay for new or expanded public capital facilities, however, not all jurisdictions impose impact fees to pay for expanded services of all these public facilities.

This work may require studies estimated at \$7,000 - \$10,000 per jurisdiction, per impact fee. The costs per jurisdiction are indeterminate, as the number of jurisdictions with “housing type” impact fees is not known and the extent of changes to fee schedules cannot be predicted in advance.

Analysis of the Association of Washington Cities (AWC) 2023 Tax and User Fee Survey indicates that the majority of cities based their impact fees on “housing type” related to the style of dwelling or the number of units. There were seven of the 44 cities that based impact fees on square footage of the unit. Only four cities out of 44 that reported using impact fees, based these fees on the number of bedrooms. If the impact fee schedule methodology for jurisdictions statewide follows similar patterns to the AWC Tax and User Fee Survey, it could indicate that a majority of cities and counties would need to amend existing impact fee schedules due to the provisions of Sec. 16.

SUBDIVISION ORDINANCE AND CODE CHANGE EXPENDITURES:

Indeterminate - All cities and counties would be required to adopt changes to their short plat regulations to allow condominium style developments of parent lots. For the purposes of this analysis, it is assumed that no changes to the density of units per acre are required by these provisions.

It is anticipated that those jurisdictions which do not currently allow such development, that adoption of a complex ordinance with hearing will be required. The Local Government Fiscal Note Program estimates that each jurisdiction undertaking this action will incur costs of \$9,600 although costs could reach \$17,200 per jurisdiction based upon assessment of grants provided by the Department of Commerce to support middle housing ordinances and Housing Action Plans through HB 1921 (2019).

The extent of these changes will depend upon existing subdivision and short plat regulations that allow condominium and townhouse style development. For instance, the Washington State Association of Counties estimate that the majority of counties already have provisions in their codes for unit lot subdivisions as described in this bill.

The number of jurisdictions undertaking this action is not known and thus these expenditure impacts are indeterminate. It is possible that jurisdictions amending codes to allow condominiums and townhouses within traditional single family areas may need to amend comprehensive plan elements and zoning maps as well as conduct transportation, environmental impact and infrastructure evaluations. The scope and scale of these indeterminate cost would vary based on the impacted jurisdiction, as well as the number of affected residential lots that allow for condominiums and townhouses. These costs cannot be determined in advance.

Amendments to Zoning Maps and/or Documents.

According to AWC, the costs for cities to adopt new zoning maps may start at \$5,000 per jurisdiction and would include changes to printed documents and digitally accessible maps.

Amendments to City Housing Plan Elements

Amending comprehensive plan housing elements may have costs ranging from approximately \$16,200 to \$32,500 for cities planning under the GMA. These figures assume the scope and scale of the amended elements is minor. Some impacted cities may have housing elements that already incorporate condominiums and townhouses and therefore will not incur expenditures while other jurisdictions may need to make changes incorporate these types of development.

Because the density of planned land use categories is assumed to remain constant, the need for broader changes to comprehensive plans, ordinances, environmental analysis and capital facility plans will likely be mitigated.

BUILDING AND ENERGY CODE:

Local Option – Sec. 13 does not require local governments to take action, therefore, there is no fiscal impact for its provisions.

The Building Code Council would adopt specific building and energy code provisions for condominium and townhouse design with three or fewer stories that would apply statewide. Local governments could adopt these building codes by reference which may have costs for a simple ordinance, which the Local Government Fiscal Note Program Unit Cost Model have adoption and implementation costs of \$601 for cities, and \$589 for counties. The number of jurisdictions that would adopt the new building codes for condominium and townhouse design cannot be known in advance.

Jurisdictions would have the option to adopt newly required standards that decrease design, permitting or construction costs. The Local Government Fiscal Note Program currently assumes that adopting new standards that reduce

construction expenses related to the incorporate condominium and townhouse design would have a complex ordinance costs of \$5,900 without hearing. The number of jurisdictions that would adopt the new building codes for condominium and townhouse design cannot be known in advance.

ASSUMPTIONS: For the purposes of this analysis, it is assumed that no changes to the density of units per acre are required by these provisions.

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.

This legislation would result in a reduction in Real Estate Excise Tax to local jurisdictions as follows.

COUNTIES

FY 2024	-\$65,900
FY 2025	-\$212,345
FY 2026	-\$230,651
FY 2027	-\$311,195
FY 2028	-\$446,657
FY 2029	-\$486,929

CITIES

FY 2024	-\$53,610
FY 2025	-\$172,742
FY 2026	-\$187,634
FY 2027	-\$253,157
FY 2028	-\$363,354
FY 2029	-\$396,115

SPECIAL DISTRICTS

FY 2024	-\$60,490
FY 2025	-\$194,913
FY 2026	-\$211,716
FY 2027	-\$285,648
FY 2028	-\$409,989
FY 2029	-\$446,956

This legislation would also decrease the state's portion of REET revenue. Of the state's portion, --1.7% goes to the public works assistance account.

--1.4% goes to the city-county assistance account.

Through these accounts, local governments are able to apply for low cost grants and loans. The distribution of these funds go to a mixture of cities, counties and special districts. The exact ratio of these distributions cannot be predicted, and therefore, the decrease in funds available for distribution is indeterminate.

ASSUMPTIONS AND METHODOLOGY:

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. Local government revenue losses were computed by taking the DOR fiscal note data and multiplying the result by the property tax distribution for counties, cities and special districts. These percentages are derived from DOR Property Tax Statistics for

2022.

IMPACT FEE REVENUE:

Jurisdictions would experience an indeterminate change in impact fee revenue. This legislation would adjust the way that impact fees are calculated for residential units by an indeterminate number of jurisdictions. This change would switch the calculation of impact fees from “housing type” based to “size and bedroom count” based.

It is possible that the number of units that are subject to fees could increase if this legislation results in additional development within a community charging impact fees. However, the amount of revenue collected would likely remain similar unless the scale of capital facility improvements must be increased in response to the added residential capacity. These impacts will vary by jurisdiction and cannot be determined with certainty in advance. Therefore, these revenue impacts are indeterminate.

SOURCES

Association of Washington State Cities (AWC)

Association of Washington Cities’ Tax and User Fee Survey (2023)

Department of Commerce

Department of Revenue Property Tax Statistics 2022

Department of Revenue fiscal note, SB 5258 (2023)

Local Government Fiscal Note “Tax Shift and Revenue Loss Model” (2023)

Local Government Fiscal Note Program, FN HB 1337 (2023)

Municipal Research and Services Center, Impact Fees

Washington State Association of Counties (WSAC)