

Multiple Agency Fiscal Note Summary

Bill Number: 5290 SB	Title: Local permit review
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Estimated Cash Receipts

NONE

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

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											
Total \$	0.0	0	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 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								
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

NONE

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LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5290 SB

Title: Local permit review

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

Legislation Impacts:

Cities: Cities and towns would be required to adopt an ordinance or resolution that would create a site plan review exemption for certain interior alterations of existing structures. Cities and towns would be eligible for grant funding if they implement a building permit review consolidation program for residential developments. Cities and towns would be eligible for digital permitting system grants.

Counties: Same as above.

Special Districts:

Specific jurisdictions only:

Variance occurs due to:

Part II: Estimates

No fiscal impacts.

Expenditures represent one-time costs: Ordinance adoption costs for site plan review exemption.

Legislation provides local option: Adoption of the building permit review consolidation program; applying for grant funding from the Department of Commerce.

Key variables cannot be estimated with certainty at this time: Number of jurisdictions that would implement the building permit review consolidation program; updating informational materials and websites to conform to the new permitting exemption; amount of grant funding that would be available for the specific purposes of this act.

Estimated revenue impacts to:

Non-zero but indeterminate cost 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: Jordan Laramie	Phone: 360-725-5044	Date: 01/23/2023
Leg. Committee Contact: Maggie Douglas	Phone: 3607867279	Date: 01/15/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/23/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 01/23/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

This legislation would create new a site plan review exemption and establish optional grant programs for local governments.

Local governments would be required to adopt an ordinance or resolution that would create a site plan review permit exemption for certain interior alterations of existing structures.

Local governments may choose to adopt a consolidated building permit review program that would achieve issuing final decisions for residential permit applications within 45 business days or 90 calendar days. Jurisdictions that choose to adopt this new program, and comply with its funding eligibility criteria, would be eligible for grant funding from Commerce subject to amounts appropriated by the Legislature for this purpose.

Local governments would be eligible for an additional grant program to modernize their permit application systems, virtual inspection capabilities, and data storage capacity, subject to amounts appropriated by the Legislature for this purpose.

City and county representatives would support a Commerce work group on the digital permitting systems, barriers to entry for using these systems, cost benefit analysis of proposed systems, and providing recommendations to the Legislature by August 1, 2024.

Sec. 1 amends RCW 36.70B.140

(3) A local government must exclude project permits for interior alterations from site plan review, provided that the interior alterations do not result in additional sleeping quarters or bedrooms, does not conform to Federal Emergency Management Agency substantial improvement thresholds, or require upgrading fire access or fire suppression systems through an increase in either total square footage or structure valuation. These project permit exclusions must be adopted or enacted by ordinance or resolution by the local government.

Interior alterations are defined as construction activities that do not modify the existing site layout or its current use, and involve no exterior work adding to the building footprint.

Sec. 2 would be a new section added to RCW 36.70B

Would establish a new grant program within Commerce for the purposes of consolidating building permit review. A local government that commits to the building permit review consolidation objectives of this section, through ordinance, resolution, or other action, would be eligible for grant funding from Commerce. This grant program is subject to funds appropriated for this specific purpose.

Two conditions of the building permit review consolidation are: issuing a final decision for residential permit applications within 45 business days or 90 calendar days, and establishing a fee structure that would allow the jurisdiction to continue to provide consolidated building permit review within this timeframe. Any jurisdiction that receives grant funding would have to file quarterly reports with Commerce that detail the average and maximum time for permit review.

Sec. 3 would be a new section added to RCW 36.70B

Commerce must establish a grant program for local governments to update their permit review process from paper filing systems to systems capable of processing digital permit applications, virtual inspections, electronic review, and capacity for video storage. This grant program is subject to funds appropriated for this specific purpose.

Sec. 4 would be a new chapter added to RCW 36.70B

Commerce must convene a digital permitting process workgroup that would examine potential license and permitting software for local governments. Commerce, in consultation with the Association of Washington Cities, and the Washington State Association of Counties, must appoint representatives to the work group. This work group would include cities and

counties, building industries, and building officials. The work group must convene August 1, 2023 and publish a report for the Legislature by August 1, 2024.

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 expenditure impacts for all cities, towns, and counties due to the site plan review exemption for certain interior alterations in Sec. 1. For costs that can be estimated at this time, the ordinance implementation in Sec. 1(3) may be approximately \$1.9 million for all impacted jurisdictions.

Cities and counties who choose the local option to implement a building permit review consolidation process would have costs to draft and adopt the implementing ordinance that establishes the processes of the building permit review program. The number of local governments that would adopt this ordinance cannot be known in advance.

Local governments that apply for grant funding from the grant programs established in Sec. 2 and Sec. 3 would be doing so as a local option. There may be costs to apply for grant funding that could range from de minimis to more substantive, which would depend on whether the program grants were competitive, or formula based. Local governments have identified competitive grants as more costly than formula-based grants as they require more staff time to develop. Jurisdictions surveyed about costs for an expedited permit review program had indeterminate results, as cities and counties may charge extra fees to cover staff overtime to do the review, but the costs vary by the number of expedited applications that are submitted, which can vary from year to year.

City and county representatives who are appointed to the Department of Commerce (Commerce) digital permitting work group in Sec. 4 may have costs to participate in the workgroup meetings and activities. However, the composition of local government representatives that may be appointed to this group is not currently known.

IMPACT OF SECTION 1:

Indeterminate – Estimated cost of \$1,886,910 for implementing a complex ordinance for all 320 impacted jurisdictions, which involves ordinance drafting, review from each jurisdiction’s advisory committee, and implementation. However, the cost to implement the site plan review exemption would vary by jurisdiction and the costs for the provisions of Sec. 1(3) may be higher than this estimate. An illustrative example of higher implementation costs is provided below.

There are 281 cities and town, and 39 counties that would be impacted. Assessment from the Association of Washington Cities (AWC) indicate that removing only site plan review but not excluding the permit process entirely, may impact land use review ordinances and outreach documents, as well as web pages, which would need to be amended. The Municipal Research and Services Center indicate that amendments to the statute in Sec. 1 does not require a public hearing to accompany the ordinance. If the site plan review exemption was bundled together with other proposed code revisions the overall cost would be absorbed into the larger effort and would reduce the cost estimate of ordinance implementation.

Ordinance Adoption Costs:

The Local Government Fiscal Note Program Unit Cost Model estimates that the typical cost to adopt an ordinance per jurisdiction ranges from \$594 for a simple ordinance to \$9,492 for a complex ordinance with a hearing of the same complexity. These costs include costs for draft ordinances, advisory commission meeting and recommendation, finalized ordinance, publication of ordinance, and general public information.

Note: These cost estimates are for only one meeting or staff report, more complex ordinances would likely require more meetings and potentially more staff reports. There would be further costs associated with enforcing or executing the ordinance.

Cities:

281 cities and towns x \$5,910 for a complex ordinance with a review by the jurisdiction’s Planning Commission = \$1,660,710 in ordinance adoption and review costs.

Counties:

39 counties x \$5,800 for a complex ordinance with a review by the jurisdiction’s Planning Commission = \$226,200 in ordinance adoption and review costs.

Total estimated ordinance adoption costs: (\$1,660,710 for cities + \$226,200 for counties) = \$1,886,910

Illustrative Example from the City of Bainbridge Island:

The City of Bainbridge Island indicate that costs for the site plan review exemption could be as high as \$9,000 to implement. This exemption may require additional meetings between the Planning Commission and City Council, which may add costs to implementing the ordinance. As an illustrative example, if this figure were approximated across 50 percent of all impacted jurisdictions the total estimated cost would be \$2,344,005 in ordinance review and implantation costs. However, there would likely be variation in implementation costs between jurisdictions.

Illustrative Example Costs:

Assumptions:

- 50 percent of cities require greater review than other cities (281/2 = 140.5, ~141 cities)
- 50 percent of counties require greater review than other counties (39 counties / 2 = 19.5, ~20 counties)
- Costs for ordinance adoption that requires additional review are at least \$9,000 per jurisdiction
- The Local Government Fiscal Note Program estimate for moderately complex ordinance adoption are assumed for the remaining local governments that do not require additional review.

Cities:

\$5,910 x 140 cities and towns = \$827,400
 \$9,000 x 141 cities and towns = \$1,269,000
 Illustrative City Total: (\$827,400 + \$1,269,000) = \$2,096,400

Counties:

\$5,800 x 19 counties = \$110,200
 \$9,000 x 20 counties = \$180,000
 Illustrative County Total: (\$110,200 + \$180,000) = \$290,200

Combined City and County:

Illustrative Total Costs: (\$2,096,400 + \$290,200) = \$2,386,600

Additional Amendments to Existing Outreach Documents

AWC indicate that there would be additional indeterminate costs related to updating outreach materials and websites to conform to the new permitting exemption. The costs of these updates would vary by jurisdiction and are indeterminate.

IMPACT OF SECTION 2:

Local Option - The building permit review consolidation objectives in Sec. 2 would be a local option, which would have costs to implement that would vary for each jurisdiction.

Participating local governments would have costs to adopt the permitting process and fee structure capable of supporting a 45 business day or 90 calendar day decision on residential permits. These processes would be established through

ordinance or resolution. The costs for jurisdictions to adopt an ordinance for this type of permit review program may be similar to the costs of Sec. 1, where costs could start at approximately \$5,000 to \$9,000 per local government. The number of jurisdictions that would choose to adopt new building permit review timelines and supporting fees is not known at this time. However, the Washington State Association of Counties (WSAC) indicate that counties would be interested in the permit review consolidation grants because it allows them to contract out to third parties and be reimbursed to pay for this program. However, the number of counties that would apply is not currently known.

There may be additional costs for participating jurisdictions to prepare and file grant applications with the Department of Commerce. These costs would vary by jurisdiction and would depend on the number of jurisdictions that choose this local option.

IMPACT OF SECTION 3:

Local Option - Applying for the digital permitting systems grant program in Sec. 3 would be a local option. There may be costs for local governments to prepare and file an application with the Department of Commerce for the purposes of the grant program established in Sec. 3. Prior feedback about the costs associated with applying to grant programs from local governments indicate costs may be minimis to more substantive depending on if the grant program is competitive or formula based.

WSAC indicate that many small and medium sized counties may be interested in pursuing these grants because the interpretation is that the grants provide for things like permitting review equipment and licenses for real time processing software that could be used out in the field, with virtual field inspections capabilities, which would require expanded data storage capacity.

IMPACT OF SECTION 4:

Indeterminate - Local government representatives that are appointed to the work group in Sec. 4 may have costs to participate in workgroup activities. The Department of Commerce assumes that meetings for the work group would be similar to prior Growth Management Act collaborative work groups, in terms of meeting frequency and workload.

Commerce indicate that this evaluation may require a larger work group of invited cities, counties, and industries, and building officials, with a smaller steering committee of approximately 10 members. At this time, the local government composition of the work group is not known, and the costs are indeterminate.

Commerce assume that initial consultations of the work group may have longer meetings to establish information and have presentations on material for the evaluation. After the initial consultations were conducted, meetings would occur twice per month between October 1, 2023, and May 1, 2024, and involve a few hours per month to support work group activities, per appointed member. The work group would reconvene for more extensive meetings to draft and finalize the report from May 2024 to July 1, 2024.

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 increase revenue to jurisdictions that are awarding grant funding for the purposes of this act. However, the amount of grant funding in Sec. 2 and Sec. 3 has not been established by the Legislature, therefore the total revenue impact for local governments is indeterminate.

The number of local governments that would choose to adopt ordinances that implement the building permit review consolidation process in Sec. 2 that would make them eligible for grant funding, and the number of jurisdictions that would apply for the digital permitting system grants in Sec. 3, cannot be known in advance.

SOURCES:

Association of Washington Cities

City of Bainbridge Island

City of Kirkland

City of Olympia

Department of Commerce

Local Government Fiscal Note Program, Unit Cost Model (2023)

Local Government Fiscal Note Program, FN SB 5964 (2022)

MRSC, Local Ordinances for Washington Cities and Counties (2015)

Washington State Association of Counties