

Multiple Agency Fiscal Note Summary

Bill Number: 1337 HB	Title: Accessory dwelling units
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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	.0	0	0	0	.0	0	0	0	.0	0	0	0
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			4,823,000						
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			4,823,000						

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Commerce	.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

NONE

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Date Published:
Final

Individual State Agency Fiscal Note

Bill Number: 1337 HB	Title: Accessory dwelling units	Agency: 103-Department of Commerce
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

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: 01/19/2023
Agency Preparation: Buck Lucas	Phone: 360-725-3180	Date: 01/25/2023
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 01/25/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 01/25/2023

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 3 adds a new section to RCW 36.70A (growth management act) requiring counties and cities to adopt new local regulations for accessory dwelling units. This section outlines those new requirements and timelines in detail.

Section 4 adds a new section to RCW 36.70A requiring counties and cities to comply with at least three new policies related to accessory dwelling units. This section outlines those requirements in detail.

Section 5 adds a new section to RCW 36.70A prohibiting restrictive covenants or deed restrictions applicable to accessory dwelling units in certain urban growth area property.

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.

There is no impact to the department. The activities stated in HB 1337 are already part of the normal operating procedures within the Local Government Division.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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

NONE

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.

There are no additional fiscal impacts associated with rulemaking for the proposed legislative amendments. The department will complete new guidance updates for accessory dwelling units, under these proposed legislative amendments, through its currently scheduled workload.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1337 HB

Title: Accessory dwelling units

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

Legislation Impacts:

- Cities: Cities would be required to adopt development and zoning regulations related to accessory dwelling units in urban growth areas into their municipal code.
- Counties: Same as above.
- Special Districts:
- Specific jurisdictions only: Only applies to jurisdictions fully planning under the Growth Management Act.
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs: Ordinance adoption and accompanying analysis.
- Legislation provides local option: Adopting impact fee reductions as part of the accessory dwelling unit ordinances.
- Key variables cannot be estimated with certainty at this time: Number of cities and counties that would not meet the July 1, 2024 implementation deadline.

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City	4,123,000		4,123,000		
County	700,000		700,000		
TOTAL \$	4,823,000		4,823,000		
GRAND TOTAL \$					4,823,000

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

Part III: Preparation and Approval

Fiscal Note Analyst: Jordan Laramie	Phone: 360-725-5044	Date: 01/26/2023
Leg. Committee Contact: Serena Dolly	Phone: 360-786-7150	Date: 01/19/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/26/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/01/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

This legislation would require cities and counties planning under the Growth Management Act to adopt or amend their local code to allow for amended accessory dwelling unit (ADU) development regulations, zoning regulations, and other official controls. These official controls would apply to attached or detached accessory dwelling units within the urban growth areas of these jurisdictions.

Sec. 3 would be a new section added 36.70A RCW

Cities and counties planning under the GMA would be required to adopt or amend development regulations, zoning regulations, or other official controls of Sec. 3 and Sec. 4 of this act for ADUs into their local code by July 1, 2024. For jurisdictions that do not adopt or amend local code by July 1, 2024, Sec. 3 and Sec. 4 of this act would supersede, preempt, and invalidate any conflicting development regulation. The ADU provisions of this act only apply to a jurisdiction's urban growth area. For a county for purposes of complying with the Growth Management Act, ADUs would not contribute to the overall underlying density requirements.

Sec. 3 and Sec. 4 do not prohibit a local government from:

- (a) Restricting ADUs for short term rentals.
- (b) Applying health, safety, building code, and environmental permitting requirements that would be applicable to principal unit.
- (c) Applying generally applicable development regulations in the construction of an ADU, except if contrary to Sec. 3 and Sec. 4 of this act.
- (d) Prohibiting ADU construction on lots which are not connected or served by public sewers.
- (e) Prohibiting ADU construction on residential lots allowing density less than one unit per acre or in wetlands, wildlife habitats, flood plains, or geologically hazardous areas.

Sec. 4 would be a new section added to 36.70A RCW

(1) When adopting or amending local code, cities and counties must also comply with a minimum of three of following ADU policies:

- (a) May not establish a requirement for provision of off-street parking for ADUs.
- (b) May not impose impact fees greater than 50 percent of those that would apply to the principal unit.
- (c) May not require the owner of the lot with the ADU to reside in or occupy the ADU.
- (d) Must allow for at least two ADUs on all lots in residential districts that allow for single-family residences.

(2) When adopting or amending local code, cities and counties would be required to:

- (a) Must allow detached ADUs from the principal unit.
- (b) Must allow an ADU construction on any lot that meets the minimum size required for the principal unit.
- (c) May not establish a maximum gross floor area requirement for an ADU that is less than 1,000 square feet.
- (d) May not establish a roof height limits of an ADU that is less than 24 feet, unless the roof height limitation that applies to the principal unit is less than 24 feet. Then the limit placed on the principal unit applies to the ADU.
- (e) May not impose design review standards on the ADU that are more restrictive than the principal unit.
- (f) Must allow ADUs to be sited to the lot line if the lot line abuts to a public alley, unless a local government routinely provides snow plowing services to such a public alley.
- (g) Must allow ADUs to be converted from existing structures, even if they violate current code for setbacks or lot coverage.
- (h) May not prohibit the sale or conveyance of a condominium unit that was originally built as an ADU.
- (i) May not require public street improvements as a condition of permitting an ADU.

Sec. 6 would amend 43.21C.495 RCW

Provides a State Environmental Policy Act safe harbor provision for actions taken by cities and counties to adopt ordinances specified by Sec. 3 and Sec. 4 of this act.

Sec. 7 would amend 36.70A.280 RCW

Provides that city and county actions to implement the ordinances in Sec. 3 and Sec. 4 are exempt from petitions alleging noncompliance to the Growth Management Hearings Board.

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 result in indeterminate expenditure increase for cities and counties that plan under the Growth Management Act (GMA). For expenses that can be estimated at this time, this bill may have costs exceeding \$4.8 million during FY24 to prepare and implement the ordinances detailed in Sec. 3 and Sec. 4. There would be an unknown number of cities and counties that this bill applies to, which would not implement the provisions of this bill by the July 1, 2024 deadline.

This bill would require cities and counties planning under the GMA to adopt new development and/or zoning regulations for accessory dwelling units within urban growth areas into their municipal code by July 1, 2024. There are 217 cities and 28 counties that this legislation would apply that have incorporated urban growth areas. For each city that is required to adopt new ADU development and/or zoning regulations, the costs would begin at \$19,000 per city, and costs for each county would start at \$30,000. The impact fee reduction would be a local option for these cities and counties, per Sec. 4(1)(b).

If a jurisdiction were unable to update their code by the July 1, 2024 deadline and their code were superseded by state statute, there would be increased workload for local government staff to parse their code to be careful differentiate which portions were still enforceable and which were superseded. This would cause an indeterminate increase in the staff time needed to administer their code and would vary by jurisdiction.

LOCAL GOVERNMENT FISCAL NOTE PROGRAM ASSUMPTIONS:

The Association of Washington Cities (AWC) indicated in S HB 1660 (2022) which required fewer provisions for ADU implementation into a city's local code than this bill, there would be costs to update such code to comply with the requirements of the bill, perform State Environmental Policy Act (SEPA) analysis for the environmental impact of these code changes, and conduct studies for reducing the impact fees associated with development of ADUs.

The Washington State Association of Counties indicated that these required changes to development regulations related to ADU development could be similar to those found in S HB 1298 (2021) adjusted for inflation, and start at \$25,000 to \$35,000 (average \$30,000 $(\$25,000 + \$35,000) / 2$).

COSTS TO UPDATE LOCAL CODE:

\$4,823,000 – Starting costs to update municipal code would be \$19,000 per city and \$30,000 per county. For expenses that can be estimated at this time, there would be \$4.8 million in ordinance costs to incorporate new ADU provisions in Sec. 3 and Sec. 4 into local municipal code.

This work would include a planner drafting the code amendments. Those amendments would be vetted with the planning team. The vetted amendments would be reviewed by the planning manager and the planning director. A planner would then write a minimum of four staff reports. The planning manager, planning director and attorney would review all four staff reports. The two staff reports prepared for the council would also be reviewed by the city manager and assistant city manager. The planning commission clerk would prepare advertisements, post comment letters to the web, prepare meeting packets for two meetings and setup for/attend two meetings. They would also review and publish two sets of minutes following these meetings. The clerk would do the same for at a minimum two council meetings. It would take four public meetings (one of the meetings would be the public hearing) to update the code. Two planning commission meetings and two council meetings (at a required minimum). All meetings would be staffed with a clerk, attorney, planner and planning director at a minimum for this item.

$\$19,000 \times 217 \text{ cities} = \$4,123,000$

\$30,000 x 28 counties = \$700,000

Total: \$4,123,000 + \$700,000 = \$4,823,000

Legal Challenges for Jurisdictions that do not Update Code to the Provisions of this Act.

It is currently unknown if all cities and counties that would be required to adopt new ADU development and zoning requirements into their municipal code would do so before the July 1, 2024 deadline. In these jurisdictions, the provisions would automatically apply and take effect. 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.

LOCAL OPTION FOR CITIES CHOOSING THE IMPACT FEE REDUCTION:

Local Option - Impact fee studies due to reduced fees would have costs that approximate to \$7,000 - \$10,000 per jurisdiction, per impact fee.

There would be at least three impact fees (transportation, parks, and fire services) that would be impacted through the provisions of Sec. 4(1)(b) should a city or county choose to incorporate this provision into local ADU development and zoning regulation amendments. \$21,000 - \$30,000 (average: \$25,500 $((\$30,000 + \$21,000) / 2)$). The number of jurisdictions that would implement the impact fee reduction is currently unknown.

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 is not anticipated to impact local government revenue.

SOURCES:

Association of Washington Cities

Local Government Fiscal Note Program, FN S HB 1660 (2022)

Local Government Fiscal Note Program, FN S HB 1298 (2021)

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

Municipal Research and Services Center, Municipal Ordinances

Office of Financial Management, Small Area Estimates Program, Urban Growth Areas (2023)