

Multiple Agency Fiscal Note Summary

Bill Number: 1611 HB	Title: Local government permitting
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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	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Revenue	1.0	297,300	297,300	297,300	.0	0	0	0	.0	0	0	0
Total \$	1.0	297,300	297,300	297,300	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			2,332,456						
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			2,332,456						

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
Department of Revenue	.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: Gwen Stamey, OFM	Phone: (360) 790-1166	Date Published: Final 2/ 7/2023
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Individual State Agency Fiscal Note

Bill Number: 1611 HB	Title: Local government permitting	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: 01/27/2023
Agency Preparation: Buck Lucas	Phone: 360-725-3180	Date: 02/01/2023
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 02/01/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/03/2023

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 2 amends RCW 36.70B.060 requiring that no later than March 31, 2024 each local government planning under the Growth Management Act (GMA) with a population of 20,000 or more shall adopt or amend ordinances or resolutions to comply with the requirements of section 5 of this act. Local governments planning under the GMA with a population of fewer than 20,000 must adopt or amend ordinances or resolutions to comply with the requirements of section 5 of this act by March 31, 2025.

Section 5 adds a new section to RCW 36.70B for local government planning under GMA, regarding the project permit process.

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 1611 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 local government (WAC 365-197 WAC), under these proposed legislative amendments, through its currently scheduled workload.

Department of Revenue Fiscal Note

Bill Number: 1611 HB	Title: Local government permitting	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.0		1.0		
Account					
GF-STATE-State 001-1	297,300		297,300		
Total \$	297,300		297,300		

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: 60-786-7150	Date: 01/27/2023
Agency Preparation: Beth Leech	Phone: 60-534-1513	Date: 02/07/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/07/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/07/2023

Request # 1611-1-1

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 section 5(3) off the bill, which impact the Department of Revenue (department).

CURRENT LAW:

There are five different types of real estate excises taxes (REET) counties and cities may impose:

- Any county or city may impose a REET on the sale of real property not exceeding 0.25%. This tax is generally known as REET 1.
- Any county or city that is fully planning under the growth management act (GMA) may also impose an additional 0.25% REET on the sale of real property. This tax is generally known as REET 2.
- Any county or city that is not imposing the optional 0.5% sales tax may instead levy an additional REET up to 0.5%
- Any county may impose an additional REET of up to 1.0% for conservation areas. This tax requires voter approval.
- Any county that imposed the REET for conservation areas at the full rate of 1.0% no later than January 1, 2003, may also impose an additional REET of 0.5% for affordable housing. This tax requires voter approval.

Most counties and cities impose REET 1 and REET 2. Only a few jurisdictions impose the remaining local REET taxes.

PROPOSAL:

This bill provides deadlines for counties and cities to process permits for residential and mixed-use residential projects.

If the county or city fails to meet the permit processing deadline for permits sought after March 31, 2025, the following local real estate excise taxes are not due on the first sale of the property:

- The tax generally known as REET 1.
- The tax generally known as REET 2.
- The additional REET for conservation areas.
- The additional REET for affordable housing.

EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session.

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:

Generally local governments meet the permitting deadlines.

REVENUE ESTIMATES:

This legislation results in no revenue impact to state REET administered by the department.

If local governments miss the permitting deadlines, then local REET revenues would decrease. The extent of missed deadlines is unknown and so the local impact is indeterminate.

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.

ASSUMPTIONS:

This bill affects taxpayers in counties that fail to meet permit processing deadlines.

FIRST YEAR COSTS:

The department will incur total costs of \$297,300 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 2.0 FTEs.

- Amend three administrative rules.
- Set up, program and test computer systems for a new exemption code. This includes audit and return processing, and modifications to reports and data files.
- Update forms and identify website publications, and information the department may need to create or update.
- Gathering requirements, implementation meetings, documentation, and testing of system changes.

Object Costs - \$70,400.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will not incur total costs in fiscal year 2025.

ONGOING COSTS:

There are no ongoing costs for the 2026-27 biennium.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.0		1.0		
A-Salaries and Wages	129,400		129,400		
B-Employee Benefits	42,700		42,700		
C-Professional Service Contracts	70,400		70,400		
E-Goods and Other Services	31,900		31,900		
G-Travel	6,300		6,300		
J-Capital Outlays	16,600		16,600		
Total \$	\$297,300		\$297,300		

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
EMS BAND 4	126,619	0.0		0.0		
EXCISE TAX EX 3	61,632	1.5		0.8		
EXCISE TAX EX 4	68,076	0.3		0.2		
IT SYS ADM-JOURNEY	92,844	0.1		0.1		
MGMT ANALYST4	73,260	0.0		0.0		
TAX POLICY SP 2	75,120	0.0		0.0		
TAX POLICY SP 3	85,020	0.0		0.0		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		2.0		1.0		

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

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

Should this legislation become law, the department will use the expedited process to amend the following rules:

WAC 458-61A-301, titled: "Payment of tax, collection responsibility, audit responsibility, and tax rulings."

WAC 458-61A-302, titled: "Disposition of proceeds and affidavit batch transmittal."

WAC 458-61-303, titled: "Affidavit."

Persons affected by this rulemaking would include those in counties affected by this legislation.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1611 HB

Title: Local government permitting

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

Legislation Impacts:

- Cities: Increased costs due to adopting ordinances that ensure project permit reviews for residential and mixed-use residential projects are completed within the timelines established by this act.
- Counties: Same as above.
- Special Districts:
- Specific jurisdictions only:
- Variance occurs due to: Jurisdictions fully planning under the Growth Management Act would have different ordinance implementation dates depending on their population size.

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs: Ordinance adoption costs.
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time: Number of jurisdictions that would not implement ordinances by the dates specified in the act; number of jurisdictions that would have lost real estate excise tax revenue due to missed residential permit review deadlines established by this act after March 31, 2025.

Estimated revenue impacts to:

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

Estimated expenditure impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City	531,552	1,537,704	2,069,256		
County	225,600	37,600	263,200		
TOTAL \$	757,152	1,575,304	2,332,456		
GRAND TOTAL \$					2,332,456

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: 02/07/2023
Leg. Committee Contact: Serena Dolly	Phone: 360-786-7150	Date: 01/27/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/07/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/07/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

This proposed legislation would require each fully planning city, town, and county must adopt or amend development regulations to ensure project permit reviews for residential and mixed-use residential projects are completed within the timelines established by this act.

Under this bill, if a permit for a residential or mixed-use residential project meets certain affordable housing requirements, the permit would be deemed approved if the permit review is not completed within the required timeframe.

After March 31, 2025, a county or city may not collect a real estate excise tax on the first sale of any residential or mixed use involving residential use real property, for which a permit was sought after March 31, 2025, unless the permit was issued within the time frames specified by this act.

Sec. 2 would amend 36.70B.060 RCW

Establishes ordinance implementation dates for the consolidated project permit process detailed in Sec. 5 of this act, for fully planning local governments above or below 20,000 in population.

Sec. 3 would amend 36.70B.070 RCW

Provides an exception for providing a written determination to a project permit application within 28 days of receiving a permit application by a fully planning local government.

Sec. 4 would amend 36.70B.080 RCW

Establishes that, except as provided for in Sec. 5, the time periods for local government actions for each type of complete project permit application or project type should not exceed 120 days.

Sec. 5 would be a new section added to chapter 36.70B

(1) For a residential use permit application or a mixed use that involves residential use, a local government must have a written determination of completeness or incompleteness within 14 days. Incomplete applications must have a written determination specifying what would make the application complete. An application is complete when the procedural requirements are submitted. After March 31, 2025, an application must be deemed complete under this section if a local government does not provide determination that the application is incomplete.

(2)(a) Establishes the time frames that apply to local government processing of residential permits or of mixed use permits that involve residential use. (i) review of five or fewer dwelling units must be complete within 120 days, (ii) more than five but fewer than 101 dwelling units must be complete within 180 days, (iii) review of project permits with greater than 101 dwelling units must be complete within 270 days.

(2)(b) Project permits submitted after March 31, 2025, must be deemed approved if (i) the project permit involves five or more dwelling units and 20 percent of the units are affordable to low-income households, or (ii) the project permit involved more than five dwelling units and all of the dwelling units are affordable to moderate-income households.

(3) After March 31, 2025, a county or city may not collect a real estate excise tax on the first sale of any residential or mixed-use development involving a residential use real property, for which a permit was sought after March 31, 2025, unless the permit was issued within the time frames specified by Sec. 5(2)(a).

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.

For expenses that can be estimated at this time, costs would be approximately \$2.3 million to adopt ordinances for the new

permitting timelines for all Growth Management Act (GMA) fully planning cities, towns, and counties and the timing of these costs would occur in FY24 and FY25.

ORDINANCE ADOPTION FOR PROCEDURALLY COMPLETE PROJECT PERMITS AND PROJECT PERMIT TIMELINES:

\$2,332,456 - It is a requirement of Sec. 2 of this act that all fully planning jurisdictions must adopt an ordinance to amend project permit application review timelines for residential or mixed use involving residential use application decisions by March 1, 2024, or March 1, 2025. The implementation of these ordinances depends on the population of the fully planning jurisdiction. The Local Government Fiscal Note Program estimates the cost of adopting a complex ordinance with hearing of the same complexity at \$9,492 for cities and \$9,400 for counties. For the purposes of analysis, these impacts are assumed to occur during FY 2024 to comply with the implementation date of March 1, 2024, and FY25 to comply with the implementation date of March 1, 2024, specified by Sec. 2.

By March 1, 2024

24 Counties over 20,000 in population – $24 \times \$9,400 = \$225,600$

56 Cities over 20,000 in population – $56 \times \$9,492 = \$531,552$

Total costs before March 1, 2024: $\$225,600 + \$531,552 = \$757,152$

By March 1, 2025

4 Counties under 20,000 in population – $4 \times \$9,400 = \$37,600$

162 Cities under 20,000 in population – $162 \times \$9,492 = \$1,537,704$

Total costs before March 1, 2025: $\$37,600 + \$1,537,704 = \$1,575,304$

Total ordinance adoption costs: $\$757,152 + \$1,575,304 = \$2,332,456$

These costs include draft ordinances, advisory commission meeting and recommendation, finalized ordinance, publication of ordinance, and general public information. This cost estimates are for only one meetings and staff reports, more complex ordinances would likely require more advisory committee meetings and potentially more staff reports.

Other changes needed to implement this legislation could result in increases in staffing hours, retention of consulting services, providing training and altering permit software systems would need to occur separately and would result in additional expenditures. These impacts will vary from jurisdiction to jurisdiction and cannot be predicted in advance.

For jurisdictions that do not outline the completeness requirements on the project permit application itself, there would be further costs to amend these documents so that the new requirements were specified in the application. Costs to modify documents may be de minimis to more substantive depending on the work to add local project permit processes to the permit application. The number of jurisdictions that would be required to amend documents is not currently known.

It is unclear if the jurisdictions that are required to adopt these ordinances on the schedule specified by Sec. 2 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.

The proposed legislation would have indeterminate revenue impacts on cities, towns, and counties that fully plan under the Growth Management Act (GMA). The Department of Revenue fiscal note for this bill assumes that jurisdictions planning under the GMA would generally meet the permitting deadlines, but a decrease in local real estate excise tax (REET) revenue may result if permitting timelines were not achieved after March 31, 2025.

Under this bill, a jurisdiction fully planning under the GMA can only collect REET on the first sale of any real property with residential or mixed used development involving a residential use if the project permit was approved within the timeframes specified in Sec. 5(2). This only pertains to approved project permits after March 31, 2025. The number of jurisdictions that this provision would apply to cannot be known in advance and is indeterminate.

SOURCES:

Department of Commerce, Local Government Project Permitting (2005)

Department of Revenue, FN HB 1611 (2023)

House Bill Analysis, HB 1611 (2023)

Local Government Fiscal Note Program, FN HB 1245 (2023)

Local Government Fiscal Note Program, FN HB 1519 (2023)

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

Municipal Research and Services Center, When is a Development Application Ready for Review