

Individual State Agency Fiscal Note

Bill Number: 5060 SB	Title: Rental & vacant properties	Agency: 103-Department of Commerce
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

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

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	11.0	16.8	13.9	17.3	17.8
Account					
Rental Property Registration Account-State New-1	5,392,994	6,205,941	11,598,935	15,434,939	16,448,796
Total \$	5,392,994	6,205,941	11,598,935	15,434,939	16,448,796

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.

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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 that describes the bill's purpose to accurately track the inventory of rental and vacant housing units in Washington state.

Section 3 adds a new section requiring the Department of Commerce (department) to create and maintain a website, database, and registration program to track and disclose statewide rental and vacant housing unit inventory in real time along with monthly rental rates. The department would need to process fees associated with the program.

Section 4 adds a new section creating a new fund account in the Treasury for the collected fees. The department's director may authorize disbursement for a prescribed use such as program administration.

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.

Under this proposal owners of qualifying properties identified in section 2 would pay fees under section 3 to the department.

This revenue estimate is based on an estimate of the number of qualifying rental housing units and vacant housing units (Sec. 2, Sec. 3), combined with an estimate of how many will be the first property registered by their owner, and how many will be an additional (e.g. 2nd, 3rd, 4th, etc.) property registered by their owner. It then presents an estimate of cash receipts based on the fee schedule (Sec. 3) for the first four years after enactment of this bill.

Assumptions

Sec. 2- Estimated number of housing units in Washington state (US Census link: U.S. Census Bureau QuickFacts: Washington, Housing Vacancies and Homeownership - Annual Statistics (census.gov)):
3,257,185 housing units

Sec. 2- Extrapolating from national data, estimated rentals (Census data): 0.335, or
1.09 million housing units

Sec. 2- Extrapolating from national data, % WA state housing units "Held off market" or estimated vacant (Census data):
0.05, or
162,000 housing units

Estimated registration compliance rate (Overestimated based on Locating Landlords: An Analysis of Rental Property Registration Compliance in New York City – NYU Furman Center, identifies 23% compliance therein):
33% of landlords complying

Percent of rental units owned by sole proprietors (Landlords | HUD USER , Landlord Statistics from the 2018 Rental Housing Finance Survey (nar.realtor))
41% of all rental units,
72.5% of 1-4 unit portfolios,

Assumption: sole proprietor owners have an average of 3 units and they own 41% of all rental units in WA state.
Estimated number of sole proprietor rental owners in WA state =

0.41 * 1.09 million rental housing units / 3 =
148,967 sole proprietor rental owners

Number of 1st rental units to register (sole proprietor) =
148,967 rental units

Number of additional units beyond 1st, based on average ownership of 3 rental units (sole proprietor) =
297,933 additional rental units

Estimated number of other ownership type, not sole proprietor rental owners in WA state =
32,155 other ownership type, not sole proprietor owners

Average units under management (other ownership type, not sole proprietor) =
Rough assumption: Other ownership type, not sole proprietor own an average of 20 rental housing units

Number of 1st rental units to register (other ownership type, not sole proprietor) =
 $0.05 * 0.59 * 1.09$ million =
32,155 rental units

Number of additional rental units beyond 1st (other ownership type, not sole proprietor) =
 $0.95 * 0.59 * 1.09$ million =
610,945 additional rental units

Total units to register, 1st unit (both ownership categories) =
181,122 total
Estimate complying 0.33 * 181,122 = 59,770 first rental units registered

Total units to register, each additional unit (both ownership categories) =
908,878 total
Estimate complying 0.33 * 908,878 = 299,930 additional rental units registered

Total vacant units to register
162,000 total
Estimate complying 0.33 * 162,000 = 53,790 vacant housing units registered

First three years the system is not operational due to start-up and implementation. Therefore, revenue Year 1, 2, 3 is \$0.
Revenue collection begins in the fourth year (FY27) and is 75% of expected due to phased roll-out.

Revenue sources from bill:

- Sec. 3- First housing unit registered is \$70, every additional housing unit registration \$15
- Sec. 3- Rentals must register every two years, or when made available for rental, or when tenancy changes
- Sec. 3- All vacant properties must register every two years.

Calculations based on assumptions:

Estimated 2-year rental housing revenue = $\$70/\text{first unit} * 59,770 \text{ units} + \$15/\text{add unit} * 299,930 \text{ units} = \$4,183,900 +$
 $\$4,498,950 =$
 $\$8,682,850$

Estimated 2-year vacant housing revenue = \$70/first unit * 53,790 = \$3,765,300

Estimate 2-year total revenue
\$12,448,150

Estimated cash receipts by FY

FY24 - \$0

FY25 - \$0

FY26 - \$0

FY27 - pro-rated, reduced revenue - $0.5 * 0.75 * \$12,448,150 = \$4,668,056$

FY28 - pro-rated revenue - $0.5 * \$12,448,150 = \$6,224,075$

FY29 - pro-rated revenue - \$6,224,075

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 3 requires the department to register rental units in the state and create and maintain a website that tracks and discloses statewide rental and vacant housing unit inventory. Developing and maintaining an online system to fulfill these requirements through procurement and customization of an existing system would require the following department staffing

The department expects that as the data system comes online and users become oriented to it, that the support staff levels, and accompanying costs, will gradually decline from years 4-6 (FY27 - FY29). This will be based on service volume, help desk needs, reporting, and ongoing communications work.

Development of a software solution led by the department will require additional staffing resources. Costs are indeterminate, but contracted consultant services required would include:

A project manager

Two additional software developers

A dedicated tester

An additional business analyst

Estimate cost of contracted services = \$6.2 million over three years based on a preliminary staff estimate. Alternatively, procurement of a software solution (managed by staff described above) = Indeterminate but could be \$10 million over three years based on preliminary staff analysis of costs associated with modifying existing software solutions or developing new software. Actual costs depend on availability of existing software, modifications needed, existing software capacity to integrate data from existing local systems, and capacity of existing software to export required data fields.

Annual maintenance expense for solution = Indeterminate, but roughly \$5 million starting in year three based on preliminary agency staff analysis.

The system would need to be remediated at some future date to be in compliance with One Washington. Cost for remediation = indeterminate.

An additional estimated \$500,000 in expenses should also be considered for WA State Office of Chief Information Officer oversight and involvement.

Section 4 authorizes the department to use revenue collected from the registration fees to fund legal representation for

eviction cases, and local government inspections of rental housing units. Assuming these allowable activities result in 20 contracts to local governments and legal service providers, staffing this effort would require 1.0 FTE Commerce Specialist 3 and 0.25 Commerce WMS Band 2 in year two and three to design and implement the program in consultation with stakeholders, and 0.75 FTE Commerce Specialist 3 in subsequent years to award funds, develop and execute contracts, monitor compliance, pay invoices and manage the budget.

Cost Narrative:

1.3 FTE Commerce Specialist 4 (2,715 hours) in FY24 through FY26 and 0.3 FTE (627 hours) in FY27 through FY29 to plan and assist in the development of the new system. The system will need to track and disclose statewide rental and vacant housing inventory as well as monthly rental rates. 0.3 of the FTEs per fiscal year will be used for budget tracking purposes.

1.0 FTE Management Analyst 4 (2,088 hours) in FY24 and 2.0 FTE (4,176 hours) in FY 25 through 29 to assist with the development of the new system as well as provide ongoing maintenance as needed.

1.0 FTE Commerce Specialist 2 (2,088 hours) in FY24, 4.0 FTE (8,352 hours) in FY25 through FY26 and 6.0 FTE (12,528 hours) in FY27 through FY29 to assist with the development of the new system. Once the system is complete, they will act as the contract managers and help desk for the system.

1.3 FTE WMS Band 3 (2,715 hours) in FY24 and 1.0 FTE (2,088 hours) in FY25 through FY26 to assist with and oversee the development of the new system.

4.0 FTE IT App Developer Senior Specialist (8,352 hours) in FY24 through FY29 to develop and maintain the system.

0.5 FTE Fiscal Analyst 4 (1,044 hours) in FY 24 through FY26 and 1.0 FTE (2,088 hours) in FY27 through FY29 to assist with the development of the system and then process payments once the system is online.

1.0 FTE Commerce Specialist 5 (2,088 hours) in FY27 through FY29 to manage the program and system once the system is complete.

1.0 FTE Commerce Specialist 3 (2,088 hours) in FY25 through FY26 and 0.75 FTE (1,566 hours) in FY27 through FY29 to assist with the development of the new system and manage awards, contracts, compliance and invoices in the system.

0.25 FTE WMS Band 2 (522 hours) in FY25 through FY26 to assist with the development of the new system.

Salaries and Benefits:

FY24: \$1,272,549

FY25-FY26: \$1,839,111 per fiscal year

FY27-FY29: \$1,851,677 per fiscal year

Professional Service Contracts:

FY24-FY25: \$3,500,000 per fiscal year

FY26: \$4,500,000

FY27-FY29: \$5,500,000 per fiscal year

Goods and Other Services:

FY24: \$156,776

FY25-FY26: \$241,763 per fiscal year

FY27-FY29: \$258,719 per fiscal year

Equipment and Capital Outlays:

FY24: \$45,000
 FY25: \$20,000
 FY27: \$29,400
 FY28: \$9,600

Intra-agency Reimbursements:

FY24: \$418,669
 FY25-FY26: \$605,067 per fiscal year
 FY27-FY29: \$609,202 per fiscal year

Note: Standard goods and services costs include supplies and materials, employee development and training. Attorney General costs, and agency administration. Intra-agency administration Reimbursement-Agency administrations costs (e.g., payroll, HR, IT are funded under a federally approved cost allocation plan.

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 Total Costs:

FY24: \$5,392,994
 FY25: \$6,205,941
 FY26: \$7,185,941
 FY27: \$8,248,998
 FY28: \$8,229,198
 FY29: \$8,219,598

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
New-1	Rental Property Registration Account	State	5,392,994	6,205,941	11,598,935	15,434,939	16,448,796
Total \$			5,392,994	6,205,941	11,598,935	15,434,939	16,448,796

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	11.0	16.8	13.9	17.3	17.8
A-Salaries and Wages	967,982	1,377,983	2,345,965	2,754,082	2,752,198
B-Employee Benefits	304,567	461,128	765,695	936,706	951,156
C-Professional Service Contracts	3,500,000	3,500,000	7,000,000	10,000,000	11,000,000
E-Goods and Other Services	156,776	241,763	398,539	500,482	517,438
G-Travel					
J-Capital Outlays	45,000	20,000	65,000	29,400	9,600
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	418,669	605,067	1,023,736	1,214,269	1,218,404
9-					
Total \$	5,392,994	6,205,941	11,598,935	15,434,939	16,448,796

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
Administrative Services-Indirect		1.9	2.7	2.3	2.7	2.7
Commerce Specialist 2		1.0	4.0	2.5	5.0	6.0
Commerce Specialist 3			1.0	0.5	0.9	0.8
Commerce Specialist 4		1.3	1.3	1.3	0.8	0.3
Commerce Specialist 5					0.5	1.0
Fiscal Analyst 4		0.5	0.5	0.5	0.8	1.0
IT APP Development-Senior/Specialist		4.0	4.0	4.0	4.0	4.0
Management Analyst 4		1.0	2.0	1.5	2.0	2.0
WMS Band 2			0.3	0.2	0.2	
WMS Band 3		1.3	1.0	1.2	0.5	
Total FTEs		11.0	16.8	13.9	17.3	17.8

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

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.