

Multiple Agency Fiscal Note Summary

Bill Number: 1167 S HB	Title: Residential housing
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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
Office of the Governor	Fiscal note not available											
Department of Commerce	Fiscal note not available											
Department of Enterprise Services	.3	144,000	144,000	144,000	.0	0	0	0	.0	0	0	0
Total \$	0.3	144,000	144,000	144,000	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			4,600,000						
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			4,600,000						

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of the Governor	Fiscal note not available								
Department of Commerce	Fiscal note not available								
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

NONE

Prepared by: Gwen Stamey, OFM	Phone: (360) 790-1166	Date Published: Preliminary 2/13/2023
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Individual State Agency Fiscal Note

Bill Number: 1167 S HB	Title: Residential housing	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	0.0	0.3	0.0	0.0
Account					
General Fund-State 001-1	144,000	0	144,000	0	0
Total \$	144,000	0	144,000	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: Jackie Wheeler	Phone: 360-786-7125	Date: 02/07/2023
Agency Preparation: Michael Diaz	Phone: (360) 407-8131	Date: 02/09/2023
Agency Approval: Ashley Howard	Phone: (360) 407-8159	Date: 02/09/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/10/2023

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 1 adds a new section to RCW 36.70A and describes the requirements and processes for the Department of Commerce to develop and administer a grant program to provide financial assistance to counties and cities to adopt preapproved middle housing plans. This has no fiscal impact to the Department of Enterprise Services (DES).

Section 2 adds a new section to RCW 19.27 requiring the state building code council (SBCC) to create a work group whose purpose is to recommend changes to rules or codes that are necessary to adopt multiplex housing codes from the international residential code and exempt multiplex housing from the international building code. The adoption of this rule requires off-cycle rulemaking. The work group must also incorporate the life safety systems for multiplex housing from the international building code. The council must take action by December 1, 2024, and the workgroup must provide the recommendations to SBCC in time to adopt or amend the codes for implementation by 2025. This has fiscal impact to DES

Section 3 adds a new section to RCW 36.70A and describes the requirements of cities and counties to adopt or amend their regulations to take effect by July 1, 2025. This has no fiscal impact to DES.

Section 4 amends RCW 19.27.060 and 2018 c 302 s 2 and adds language that allows a legislative body of a county or city to adopt amendments to allow for up to five stories of group R-2 occupancy to be served by a single exist under conditions listed under subsection (3)(a)-(n) and subsection (4). This has no fiscal impact to DES.

Section 5 is a new section that requires the Office of Regulatory Assistance to contract with a qualified external consultant or entity to develop a standard plan set. This standard plan set may be used, but is not required, by local governments and building industries. DES assumes that these standard plan sets will not be incorporated into the state building code, therefore, this has no 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 2 requires the State Building Code Council (SBCC) to develop a workgroup and make recommendations to change rules or codes related to multiplex housing codes. The current implementation date identified in HB 1167 would require off-cycle code adoption by SBCC. Off-cycle rulemaking requires additional Council and Technical Advisory Group (TAG) meetings, public hearings, and testimony.

The SBCC would need to meet for an additional four council meetings with eight council members, twenty-two advisory meetings with one member, two public hearings with one member, and four building, fire and plumbing committee meetings with seven members to establish these codes. Travel costs for an SBCC member to attend a meeting are as follows:

- Round-trip air travel \$527
- Per Diem \$311
- Rental car \$50
- Parking \$12
- Total \$900/day

Four Council Meetings multiplied by eight council members equals \$28,800. Twenty-two Advisory Meetings multiplied by one council member equals \$19,800. Two public hearings meetings multiplied by one council member equals \$1,800. Four building, fire and plumbing committee meetings multiplied by seven council members equals \$25,200. The total fiscal impact for travel costs for DES is estimated to be \$75,600.

Off-cycle rulemaking also impacts the administrative staff that supports the SBCC.

For purposes of this analysis, it is assumed that 1 of a Management Analyst 5 would be required for 6 months 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	144,000	0	144,000	0	0
Total \$			144,000	0	144,000	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5		0.3		
A-Salaries and Wages	45,800		45,800		
B-Employee Benefits	15,600		15,600		
C-Professional Service Contracts					
E-Goods and Other Services	7,000		7,000		
G-Travel	75,600		75,600		
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 \$	144,000	0	144,000	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		0.3		
Total FTEs		0.5		0.3		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: 1167 S HB	Title: Residential housing
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities: Fully planning cities would be required to amend existing residential development code to accommodate multiplex developments and residential development near common core locations; cities with categorical exemption for infill development would be required to amend local code.
- Counties: Same as above.
- Special Districts:
- Specific jurisdictions only: Only applies to cities and counties fully planning under the Growth Management Act.
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs: Analysis and ordinance adoption are one-time costs for impacted cities and counties.
- Legislation provides local option: Applying for the grants in preapproved middle housing plans program. Amending residential building code to allow for up to five stories of group R-2 occupancy to be served by a single exit
- Key variables cannot be estimated with certainty at this time: Funding level of the grant program and which jurisdictions would apply; additional analysis necessary for adopting ordinances specified in Sec. 3.

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		3,920,000	3,920,000		
County		680,000	680,000		
TOTAL \$		4,600,000	4,600,000		
GRAND TOTAL \$					4,600,000

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: 02/13/2023
Leg. Committee Contact: Jackie Wheeler	Phone: 360-786-7125	Date: 02/07/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/13/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/13/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

CHANGES FROM PRIOR VERSION OF BILL:

Sec. 1 would amend the definition of townhouses.

Sec. 3 would remove the State Environmental Policy Act categorical exemption for infill development from the prior bill.

Sec. 4 of the prior bill is now Sec. 3 and would amend the ordinance required by Sec. 3(1) such that:

Parking and design review are removed from the development regulations that are prohibited from being more restrictive for multiplex housing than those required for single-family detached residences.

Within one-half mile from a community core location, cities and counties may not require setbacks or development regulations for residential buildings that would prohibit the development from meeting the underlying zoning or density allowed. Exceptions would be allowed for building codes, health and safety requirements, public utility access, and meter access requirements.

Sec. 4 would amend 19.27.060 RCW

(3) Establishes conditions for a city or county legislative body to amend the International Residential Code to allow for up to five stories of group R-2 occupancy to be served by a single exit.

(4) For a city that chooses to adopt the amendments of Sec. 5(3) the city must be served by a municipal fire department or fire district, and the city does not have a current restriction on development due to lack of fire flow capacity.

SUMMARY OF CURRENT VERSION OF BILL:

This proposed substitute legislation would increase the options available to fully planning cities and counties to expand middle housing near high-capacity transit lines, commuter rail, rapid bus lines, schools, and public parks. Within these fully planning jurisdictions, development permits and environmental review processes for multiplex development would be required to be in alignment with detached single-family residences.

The bill authorizes a Department of Commerce administered grant program that is meant to assist cities and counties with adopting preapproved middle housing plans. These plans would have a selection of middle housing architectural plans that are preapproved by city and county officials and in compliance with city and county code. The plans would streamline administrative approval of middle housing projects by local governments.

Sec. 1 would add a new section to 36.70A RCW

The Department of Commerce must establish a grant program for cities and counties for the purposes of creating and approving middle housing plans.

Middle housing within the bill is defined as duplexes, triplexes, fourplexes, fiveplexes, sixplexes, attached and detached accessory dwelling units, cottage housing, stacked flats, townhouses, or courtyard apartments.

Sec. 3 would add a new section to 36.70A

Authorizes that in residential zones that allow for multiplex housing, fully planning local governments may not impose zoning, siting, or other housing standards that are more restrictive than those required for single-family residences, with exceptions for health and fire safety requirements. Establishes that within one-quarter mile of a community core location, fully planning local governments may not require setbacks or development regulations for residential buildings that would prohibit the development from meeting the underlying zoning or density allowed. Exceptions would be allowed for building code, health and safety, public utility access, and meter access requirements.

Fully planning cities and counties must adopt these into development regulations, zoning regulations, and other official controls into their local code by July 1, 2025.

Community core locations include high capacity transit lines, commuter rail, rapid bus lines, schools, and public parks.

Sec. 4 would amend 19.27.060 RCW

(3) Establishes conditions for a city or county legislative body to amend the International Residential Code to allow for up to five stories of group R-2 occupancy to be served by a single exit.

(4) For a city that chooses to adopt the amendments of Sec. 4(3) the city must be served by a municipal fire department or fire district, and the city does not have a current restriction on development due to lack of fire flow capacity.

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.

CHANGES FROM PRIOR VERSION OF BILL:

This proposed substitute legislation removes the State Environmental Policy Act categorical exemption for infill development provisions of Sec. 3 from the prior bill. There are no costs associated with adopting or amending municipal ordinances for categorical exemption as these are no longer a requirement of the current bill.

Amendments to Sec. 3 of this proposed substitute bill modify the mandatory ordinance for all fully planning cities and counties. Parking and design review are removed from the development regulations that are prohibited from being more restrictive for multiplex housing than those required for single-family detached residences. There may be reduced costs for conducting the work of this provision because existing parking and design review development regulations for multiplex residences may not require revisions, although they would likely require some review by local planning staff. These jurisdictions may also not require setbacks or development regulations for residential buildings that would prohibit the development from meeting the underlying zoning or density allowed, except as provided for building code, health and safety, or utility access and metering requirements. There may be increased costs related to this provision to determine the modifications to setback and other development regulations to maintain the underlying zoning or density allowed within a residential zone. These changes would be incorporated into the existing ordinance adoption costs of the prior bill, which previously specified that residential development could be built to the lot lines, with exception for developments that would impair fire and safety requirements. The amendments in this proposed legislation remain consistent with increased density in residential zones that allow for multiplex development provisions of Sec. 3(3)(a) and would have similar costs to those estimated in the prior version of the fiscal note for this bill.

Sec. 4 is a new amendment in this proposed substitute bill. Adopting changes to the International Residential Code within a jurisdiction's municipal or county code would be a local option for those cities and counties that qualify with the provisions of Sec. 4(4).

EXPENDITURE IMPACT OF CURRENT VERSION OF BILL:

This legislation would have determinate and indeterminate expense impacts for cities and counties fully planning under the Growth Management Act (GMA).

For costs that can be estimated at this time, the impact of this bill would be \$4.6 million with implementation of amended ordinances and accompanying analysis starting in FY25 to be complete the beginning of FY26. However, it is anticipated that not all cities and counties would have their ordinances complete at this time, at which point Sec. 4(3) would take effect, per Sec. 4(2) of this bill.

Applying for the grant program in Sec. 1 and the revising existing residential building code to allow for up to five stories of

group R-2 occupancy to be served by a single exit, would be local options. There would be no expenditure impact for local governments that took no action related to these sections.

IMPACTS OF SECTION 1

Local Option - Fully planning local governments applying for preapproved middle housing planning grants from the Department of Commerce would do so as a local option.

The Association of Washington Cities (AWC) indicate that these plans would be similar to work that cities do to create preapproved accessory dwelling unit (ADU) design standard plans. However, the workload to make the plans would be more expensive than the preapproved ADU plans because the middle housing definition includes “duplexes, triplexes, fourplexes, fiveplexes, sixplexes, attached and detached accessory dwelling units, cottage housing, stacked flats, townhouses, or courtyard apartments” per Sec. 1(3)(b). There may be advantages of focusing on certain types of middle housing for these plans within a jurisdiction, if the city or county finds that a particular style of middle housing is preferred over other types, through stakeholder and community outreach.

Illustrative Example:

In 2022, the Michigan Municipal League (League) produced a guidebook with two preapproved architectural plans in their resource document, *This Used to be Normal: Pattern Book Homes for 21st Century Michigan*. The designs specified in the project centered specifically on duplex and fourplex complete plan sets. Costs involved a combination of League staff time for project visioning, management, and promotion of this work, as well as contracts with architecture and graphic design partners.

The League indicated that contract work created two 95 percent complete contract document sets, document layout, and design graphics. This work was estimated at approximately \$100,000. These costs include the fair valued fees of the architectural firm by an industry standard formula derived from a percentage of the future projected value of the buildings designed. Additionally, there were negotiated and mutually agreed-upon fee for the release of copyright, and legal indemnification of the architects and engineers when releasing the contract documents without official seal.

The value of the League’s in-kind staff time for project activities and writing and publication of the book itself was estimated at an additional \$50,000. The League noted that there were efficiencies achieved by initiating and sustaining this this work, which would increase the number of preapproved designs at the same level of funding. As such, the League will produce three new 95 percent complete plan sets and a Phase II book for \$150,000.

IMPACTS OF SECTION 3

\$4,600,000 – This planning work would include analysis and new ordinances in 218 cities and 28 counties that fully plan under the Growth Management Act. For costs that can be estimated at this time there would be \$3.9 million in new expenses for cities and \$680,000 for counties to adopt and implement the provisions of Sec. 3.

Fully planning cities and counties would be required to adopt new development regulations, zoning regulations, or other official controls into their local code for multiplex housing and for residential developments within a quarter mile of a community core location. The Association of Washington Cities indicate that this work would impact development regulations that pertain to areas that are zoned for multifamily already. It would require planning department staff time to sort out which parts of the city are impacted and confirm any change any codes that are impacted by Sec. 3(3)(a) through Sec. 3(3)(c). These ordinances may have costs similar to S HB 1782 (2022) for cities and S HB 1289 (2021) that added new zoning ordinances for middle housing. However, these ordinances would amend existing local code, which AWC has indicated as having higher costs. The starting costs would be approximately \$10,000 to \$30,000 per city and \$20,000 to \$30,000 per county. Additional analysis would likely be required for fully planning cities and counties with a greater number of residential zones allowing multiplex housing and common core locations to determine how many, and in what

parts of the jurisdiction these regulations apply.

Costs for provisions in Sec. 3(3) include: analyzing comprehensive plan policies and municipal code to determine extent of amendments required; drafting informational materials on reasons for, and approach to, allowing middle housing (e.g. design regulations to ensure compatibility) for public review; conducting outreach to inform and solicit feedback from residential neighborhoods and developers; drafting proposed amendments for the city's planning commission considerations; a planning commission public hearing and recommendation to the city council; a presentation of the city planning commission's recommendations to the city council; and a city council public hearing and action. If the zoning ordinances are adopted at the same time, there may be potential cost savings by doing the planning and implementation work concurrently.

131 cities under 10,000 in population x \$10,000 = 1,310,000
87 cities greater than 10,000 in population x \$30,000 = \$2,610,000
218 cities = \$3,920,000

16 counties under 100,000 in population x \$20,000 = \$320,000
12 counties greater than 100,000 in population x \$30,000 = \$360,000
28 counties = \$680,000

Total estimated costs: \$3,920,000 + \$680,000 = \$4,600,000

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.

Some jurisdictions may elect not to bring their codes into conformance with the requirements of this legislation prior to the applicable deadline. In these jurisdictions, the provision of Sec. 3(3) would automatically apply and take effect, per Sec. 3(2). 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.

IMPACTS OF SECTION 4

Local Option - Adopting changes to the International Residential Code within a jurisdiction's code would be a local option for those cities and counties that qualify with the provisions of Sec. 4(4). This section would have no expenditure impact for jurisdictions that take no action

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.

CHANGES FROM PRIOR VERSION OF BILL:

The amendments to the substitute version of this legislation would not change the revenue impact of the prior bill.

REVENUE IMPACT OF CURRENT VERSION OF BILL:

If the legislature appropriates funding for the specific purposes of Sec. 1 of this act, there would be an indeterminate increase in local government revenue.

The funding level of the grant program is not currently known, nor are the number of fully planning cities and counties that would submit applications for the preapproved middle housing plan grant program. Fully planning local governments applying for grants from the Department of Commerce would do so as a local option.

SOURCES:

Association of Washington Cities

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

Local Government Fiscal Note Program, FN S HB 1782 (2022)

Local Government Fiscal Note Program, FN S HB 1289 (2021)

Department of Commerce

Michigan Municipal League

Michigan Municipal League, This Used to be Normal: Pattern Book Homes for 21st Century Michigan (2022)

Municipal Research and Services Center, Local Ordinances for Washington Cities and Counties (2016)