

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5190 S SB	<b>Title:</b> Middle 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
Department of Commerce	5.9	2,128,732	2,128,732	2,128,732	5.3	1,561,382	1,561,382	1,561,382	5.3	1,568,582	1,568,582	1,568,582
Office of Financial Management	.0	0	0	0	.0	0	0	0	.0	0	0	0
Environmental and Land Use Hearings Office	.1	40,848	40,848	40,848	.3	70,342	70,342	70,342	.3	70,342	70,342	70,342
<b>Total \$</b>	<b>6.0</b>	<b>2,169,580</b>	<b>2,169,580</b>	<b>2,169,580</b>	<b>5.6</b>	<b>1,631,724</b>	<b>1,631,724</b>	<b>1,631,724</b>	<b>5.6</b>	<b>1,638,924</b>	<b>1,638,924</b>	<b>1,638,924</b>

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			5,030,000			2,059,500			246,500
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			5,030,000			2,059,500			246,500

## 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
Office of Financial Management	.0	0	0	.0	0	0	.0	0	0
Environmental and Land Use Hearings Office	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

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

<b>Prepared by:</b> Gwen Stamey, OFM	<b>Phone:</b> (360) 790-1166	<b>Date Published:</b> Final 2/16/2023
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5190 S SB	<b>Title:</b> Middle housing	<b>Agency:</b> 103-Department of Commerce
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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	5.9	5.9	5.9	5.3	5.3
<b>Account</b>					
General Fund-State 001-1	1,233,391	895,341	2,128,732	1,561,382	1,568,582
<b>Total \$</b>	1,233,391	895,341	2,128,732	1,561,382	1,568,582

### 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: Melissa Van Gorkom	Phone: 360-786-7491	Date: 02/09/2023
Agency Preparation: Buck Lucas	Phone: 360-725-3180	Date: 02/14/2023
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 02/14/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/15/2023

## 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.*

Differences between the substitute bill and the original bill:

Several sections of the bill modified the fiscal impact to the Department of Commerce (department), including changes in sections 3, 5, 6, and 8, adding new provisions and renumbering sections accordingly.

Summary of the substitute bill:

Section 2 amends RCW 36.70A.030 adding several new housing-related definitions to the Growth Management Act (GMA).

Section 3(1) modifies the minimum density requirements, affordability provisions, and population thresholds from the original bill by creating two sets of requirements, one for cities with a population of 25,000 - 75,000 and another for cities with a population above 75,000 or any city within a contiguous urban growth area with a city population above 200,000.

Section 3(5) requires the department to develop guidance to assist cities on items to include in the parking study required earlier in section 3, which study can be the basis to allow an exemption to the parking requirements. The study must be prepared by a credentialed transportation or land use planning expert and empirically demonstrate that the lack of minimum parking requirements in a defined area would make on-street parking infeasible or unsafe for residents. This exemption, including a parking study informed by department guidance, was not included in the original.

Section 3(8) changes the deadline by which cities currently meeting the population thresholds must comply with the density requirements to six months after its next periodic comprehensive plan update, instead of 24 months after the effective date of the bill.

Section 5(2) changes the deadline by which the department must publish a model middle housing ordinance to no later than six months, rather than 18 months, after the effective date of the bill.

Section 5(3) specifies the criteria by which the department may approve "substantially similar" and "alternative" local actions to determine compliance with the bill, including viewing favorable plans and regulations that authorize an overall increase in density throughout the city in units allowed per single family lot that is at least 75 percent of the overall single-family density throughout the city, whereas no such criteria were specified in the original version.

Section 6 adds a new section to RCW 36.70A creating a new certification program in which cities apply to the department for an extension in implementing the bill's requirements in areas at risk of displacement as determined by the anti-displacement analysis required to be completed under RCW 36.70A.070(2) (HB 1220 (2022)).

Section 8(2) modifies the criteria for cities to receive an extension for implementing the middle housing requirements due to water, sewer, or stormwater deficiencies, but retains the original framework that cities must apply to the department for an extension of the implementation timelines based on the identified criteria.

Section 8(6) requires the department to provide the legislature with a list of projects identified in a city's capital facilities plan that were the basis for an extension under Section 8, including planning level estimates. This subsection also allows a city that has received an extension to reapply for additional extensions at its subsequent periodic update or implementation progress report, provided it provides the department a list of infrastructure improvements necessary to meet the capacity required to implement the bill. The original version only allowed one additional extension.

Section 10 adds a new section to RCW 36.70A providing that cities taking actions to comply with this act shall be deemed to be in compliance with RCW 36.70A.070(2)(d) until June 20, 2032.

## **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.*

### **Assumptions:**

The department assumes significant administrative rulemaking for the middle housing model ordinances and other processes as well as ongoing work monitoring, approving, or denying local actions to implement the bill, under Sections 3, 5, 6, 8.

- Development of a middle housing model ordinance would likely involve retaining consultant services with expertise. The department assumes that the substitute's more immediate deadline for the department to develop the model ordinance from eighteen to six months after the bill's effective date and its increased complexity through establishing different requirements for differently tiered cities based on population and proximity to large jurisdictions will increase consultation costs by \$50,000 (based on 1,250 hours at \$200 an hour) over the original fiscal note and consolidate it into FY24 to meet the new deadline.
- The department assumes ongoing monitoring of local housing plans and comprehensive plan updates, including related technical assistance and training statewide with development of new certification processes in sections 5 (approval of substantially similar local actions), 6 (extension for anti-displacement implementation), and 8 (extension for infrastructure deficiencies).
- The department assumes that the new anti-displacement extension certification processes, which was not in the original version, will slightly increase the workloads for the Commerce Specialist 3, Commerce Specialist 4, and Management Analyst 4 over the workload assumptions in the original bill's fiscal note and will require additional rulemaking to develop criteria for approving or denying extension requests.
- The department assumes that that cities will develop their anti-displacement policies by or before their next periodic update deadline and that approximately 50% of jurisdictions will request extensions based on those policies, which assumption is based on data from the Puget Sound Regional Council's displacement risk GIS mapping tool. The department assumes that the modified criteria in the Sections 5 and 8 certification processes will not change the staff workload assumption in the original note with respect to those programs.
- The department assumes that the new legislative report required in Section 8(6), regarding the list of capital projects identified as the basis for an extension request, will not increase department staff workload or IT costs over the fiscal impact assumptions in the original bill's fiscal note.
- The department assumes that Section 3(8)'s new implementation deadline requirements, whereby cities currently meeting the population thresholds must comply with the density requirements six months after the periodic comprehensive plan update, instead of 24 months after the bill's effective date, will not change the overall fiscal impact.
- The department assumes that the substitute's new provision in Section 3(5), requiring the department to develop guidance to assist cities on items to include in a parking study, will likely involve retaining consultant services with expertise in FY24 but not require additional rulemaking. The department assumes a professional services contract of \$100,000 (based on 500 hours at \$200 per hour) to meet this requirement by the deadline.

- The department assumes \$17,000 per fiscal year, FY24-FY25, and \$10,000 in FY24-FY29, ongoing in AAG rulemaking review and consultation for rulemaking and general guidance required throughout this bill, including guidelines in Sections 3, 5, 6, and 8, based on similar high level GMA guidance and rulemaking review. Ongoing AAG costs of \$10,000 assume the cost of legal services required for potential appeals of department decisions under Section 5. The department assumes that the added AAG costs for rulemaking review and consultation for rulemaking and general guidance over the original are due to the new anti-displacement extension certification program that will require rulemaking and the parking study guidance. Other modifications in the substitute to programs created in the original do not change the fiscal impact assumptions with respect to AAG costs.

- Additional significant department IT work will be required to initially upgrade its internal planning data system for tracking submitted materials, FY24-FY25, and ongoing maintenance. The department assumes \$50,000 a year for the first two years for immediate IT upgrades for tracking and new workflow for receiving local amendments, department approval processes, certification and tracking of timeline extensions, and the legal appeals of department decisions, and 0.3 FTE for two IT staff to upgrade and maintain the planning data system to implement new requirements (Sections 3, 5, 6, and 8).

- Grant assumptions: Between 60 and 80 communities will be updating their plans and regulations, a total of 330 jurisdictions between FY24 and FY28. Past grants ranged in size, depending on the size of the community, with smaller jurisdictions getting proportionately more due to small internal capacity and substantial technical assistance from the department. The department assumes about 50% of jurisdictions will request grants and technical assistance for middle housing, while the others lack capacity to write the grants. With about 250 jurisdictions to complete updates after this year, and about 120 potentially applying for and getting grants of about \$75,000 each equals \$9,000,000 along with \$2,000,000 is administrative and technical assistance to help over the four years. The total amount is \$5.5 million for each biennium, or \$4.5 million in grants and \$1 million in technical assistance. The department assumes that the population threshold modifications in the substitute bill do not alter these grant assumptions.

Sections 2-6, 8, and 10:

1.1 FTE Commerce Specialist 4 (2,297 hours) in FY24-FY29, ongoing, to serve as the statewide expert in middle housing planning and oversee implementation and management of the new review and certification programs.

2.6 FTE Commerce Specialist 3 (5,429 hours) in FY24-FY29, ongoing, to assist Commerce Specialist 4 in above activities. Manage grants, work with local governments on their housing elements and development regulations specifically related to middle housing.

0.3 FTE Management Analyst 4 (626 hours) in FY24-FY25, to provide professional and technical advice to management for rulemaking administration and technical support for approval process and timeline extension programs.

0.2 FTE Administrative Assistant 3 (418 hours) in FY24-FY29, to review documents, records, or applications for completeness, accuracy, and compliance with rules. Composes office correspondence such as requests for documentation and responses to requests for information.

0.5 FTE IT Business Analyst Expert (1,086 hours) in FY24 and FY25, and 0.3 FTE (626 hours) FY26-FY29, for significant system maintenance and upgrades to the plan review data and program tracking system, including major data system upgrades for new programs and ongoing maintenance and periodic upgrades thereafter.

0.3 FTE IT Application Developer (626 hours) in FY24-FY29, for system maintenance for upgrades to the data and program tracking database.

Salaries and Benefits:

FY24: \$598,406

FY25: \$618,659

FY26-FY29: \$545,501 each fiscal year

Professional Services Contracts:

Section 3 requires a contract in FY24 to provide professional expertise for guidance to assist cities on items to include in the parking study at 500 hours with a billable rate of \$200 per hour, \$100,000 in total cost in FY24. Section 5 requires a contract in FY24 to provide professional expertise for model ordinance development at 1,250 hours with a billable rate of \$200 per hour, \$250,000 in total cost in FY24.

FY24: \$350,000

Goods and Services:

Includes \$17,000 in FY24-FY25 (81 hours at \$210 per hour each fiscal year) for AAG and legal review of draft guidelines adopted by rule guidance through rulemaking, model ordinance review, and traffic study guidelines review. This includes \$10,000 FY26-FY29 (48 hours at \$210 per hour each fiscal year) for legal services and ongoing appeals of department decisions under Section 5.

FY24: \$67,700

FY25: \$67,734

FY26-FY29: \$55,720 each fiscal year

Travel:

Statewide local technical assistance, 30 days annually, for training and outreach with local governments and half with overnight lodging.

FY24-FY25: \$5,409 each fiscal year

Equipment:

Standard workstations for new team members and a replacement computer on the agency's five-year lifecycle replacement schedule.

FY24: \$15,000

FY28: \$7,200

Intra-Agency Reimbursements:

FY24: \$196,876

FY25: \$203,539

FY26-FY29: \$179,470 each fiscal year

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

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Total Costs:

FY24: \$1,233,391

FY25: \$895,341

FY26-FY27: \$780,691 each fiscal year

FY28: \$787,891

FY29: \$780,691

### 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	1,233,391	895,341	2,128,732	1,561,382	1,568,582
<b>Total \$</b>			1,233,391	895,341	2,128,732	1,561,382	1,568,582

#### III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29	
FTE Staff Years	5.9	5.9	5.9	5.3	5.3	
A-Salaries and Wages	446,475	459,869	906,344	809,136	809,136	
B-Employee Benefits	151,931	158,790	310,721	281,866	281,866	
C-Professional Service Contracts	350,000		350,000			
E-Goods and Other Services	67,700	67,734	135,434	111,440	111,440	
G-Travel	5,409	5,409	10,818			
J-Capital Outlays	15,000		15,000		7,200	
M-Inter Agency/Fund Transfers						
N-Grants, Benefits & Client Services						
P-Debt Service						
S-Interagency Reimbursements						
T-Intra-Agency Reimbursements	196,876	203,539	400,415	358,940	358,940	
9-						
<b>Total \$</b>		1,233,391	895,341	2,128,732	1,561,382	1,568,582

#### 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 Assistant 3	52,616	0.2	0.2	0.2	0.2	0.2
Administrative Services - Indirect	111,168	0.9	0.9	0.9	0.8	0.8
Commerce Specialist 3	82,056	2.6	2.6	2.6	2.6	2.6
Commerce Specialist 4	86,212	1.1	1.1	1.1	1.1	1.1
IT APP Development - Senior/Specialist	120,457	0.3	0.3	0.3	0.3	0.3
IT Business Analyst - Expert	126,485	0.5	0.5	0.5	0.3	0.3
Management Analyst 4	86,212	0.3	0.3	0.3		
<b>Total FTEs</b>		5.9	5.9	5.9	5.3	5.3

#### 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.*

This bill requires rulemaking activities, amending chapter 365-196 WAC.

- Sections 1-6, 8, and 10 contain revisions to the GMA that would require updated technical assistance and guidance for cities through rulemaking.
- Section 5 directs the department to develop a process for approval of alternative local actions.
- Section 6 directs the department to develop a process for certifying extensions of implementation requirements based on anti-displacement analysis.
- Section 8 directs the department to establish by rule and standards or procedures necessary to implement extension requests based on infrastructure deficiencies.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5190 S SB	<b>Title:</b> Middle housing	<b>Agency:</b> 105-Office of Financial Management
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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: Melissa Van Gorkom	Phone: 360-786-7491	Date: 02/09/2023
Agency Preparation: Keith Thunstedt	Phone: 360-810-1271	Date: 02/14/2023
Agency Approval: Jamie Langford	Phone: 360-902-0422	Date: 02/14/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/15/2023

## 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 defines city population thresholds related to the bill will be based on OFM population estimates.

Section 4 exempts middle housing units from the threshold of an OFM population projection to a county or a county population allocation to a city.

These actions can be completed within existing staffing and resources. There is no fiscal impact to OFM.

### 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.*

## 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.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5190 S SB	<b>Title:</b> Middle housing	<b>Agency:</b> 468-Environmental and Land Use Hearings Office
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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	0.0	0.3	0.1	0.3	0.3
<b>Account</b>					
General Fund-State      001-1	0	40,848	40,848	70,342	70,342
<b>Total \$</b>	0	40,848	40,848	70,342	70,342

### 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: Melissa Van Gorkom	Phone: 360-786-7491	Date: 02/09/2023
Agency Preparation: Dominga Soliz	Phone: 3606649173	Date: 02/14/2023
Agency Approval: Dominga Soliz	Phone: 3606649173	Date: 02/14/2023
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 02/14/2023

## 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.*

No changes to impacts from previous version of this bill.

Section 1. Legislative intent to allow more housing options affordable to various income levels in areas already served by urban infrastructure in order to reduce pressure to develop natural and working lands and support key strategies for climate change, food security, and Puget Sound recovery, hopefully saving taxpayer and ratepayers money.

Section 2. Adds a number of definitions, including “administrative design review,” with changes to this definition that create more certainty of the public process. Other definitions include “cottage housing,” “courtyard apartments,” “middle housing,” and “townhouses.” The definition of “major transit stops” is amended with the substitute bill. A “community amenity” definition is added.

Section 3. Any planning city must develop by ordinance and incorporate into its development regulations, zoning regulations, and other official controls, authorization for specific higher density zoning with additional high density residential zones within one half mile of major transit stops or community amenities and affordable housing. Affordable housing must be maintained as affordable for at least 50 years. The requirement that anti-displacement measures be adopted as part of the city’s mandatory housing element is removed from this section. The requirement of objective development and design standards is simplified. The limitations on parking do not apply if supported by empirical evidence and best practices. Compliance with this section 6 months after the next comprehensive plan update or 12 months after reaching the population threshold.

Section 4. Permitted middle housing unit populations are exempt from the threshold of an office of financial management population projection to a county or a county population allocation to a city.

Section 5. Mandates the Department of Commerce (Commerce) to provide technical assistance to the cities and counties to assist in implementation of Section 3 of the bill. Time frames for implementation are established. In any city subject to Section 3 that fails to act in the time frame provided in the bill, the model ordinance can be imposed until the city acts. Gives Commerce authority to approve alternative local action to meet Section 3 requirements. In doing so, Commerce must favor plans and regulations that authorize an overall increase in density throughout the city in units allowed per single-family lot that is at least 75 percent of the overall single-family density throughout the city in units allowed per lot, if the specific provisions of this act were adopted.

Section 6. Local governments subject to the requirements of section 3 may apply for and the department may certify, an extension for areas at risk of displacement under certain standards.

Section 7. The Growth Management Hearings Board (GMHB) may hear only petitions alleging the Commerce’s final decision to approve or reject actions by a city implementing Section 3 of this act is erroneous.

Section 8. Allows cities to apply for certain extensions to their implementation time. (2) is amended to limit the application for extension under this section only to specific areas where a city can demonstrate that water, sewer or stormwaters services lack capacity to accommodate the density required in section 3 of this act and the city has met certain requirements.

Section 9. Actions taken under Section 5(3)(b) (regarding Commerce’s approval of alternative local action) are not subject to administrative or judicial appeals under this chapter.

Section 10. Development regulations that are consistent with and implement this act and RCW 35A.21.439 or 35.21.683

shall be deemed in compliance with the requirements of RCW 36.70A(2)d.

Section 11. After the effective date of this act, a city cannot actively or effectively prohibit the construction, development, or use of additional housing units as required in Section 3 of this act.

Section 12. Private associations of apartment owners cannot actively or effectively prohibit the construction, development, or use of additional housing units as required in Section 3 of this act.

Section 13. Governing documents of associations within cities subject to the requirement of Section 3 that are created after the effective date of this section may not actively or effectively prohibit the construction, development, or use of additional housing units as required in Section 3 of this act.

Section 14. Declarations and governing documents of a common interest community within cities subject to the middle housing requirements, created after this act, may not actively or effectively prohibit the construction, development, or use of additional housing units as required in Section 3 of this act.

## **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.*

None

## **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.*

Fiscal Impact to GMHB: Yes

ELUHO estimates 6 GMHB petitions per year resulting from this bill. We assume that cities may challenge the approval or rejection of the Department of Commerce.

ELUHO assumes ELUHO's work on these appeals begins in FY 25, following the planning other work needed by cities and counties in order to implement.

ELUHO estimates each appeal resulting from this bill will require approximately 60 hours of Hearing Examiner work to complete.

60 hours/appeal x 6 appeals = 360 Hearing Examiner hours per FY, ongoing.

Assume new Hearing Examiner FTE: The GMHB will need approximately 0.25 FTE for a Hearing Examiner with demonstrated knowledge in land use planning and law to assist with the new petitions. RCW 43.21B.005(2) authorizes the ELUHO director to appoint such Hearing Examiners to assist the GMHB. The Hearing Examiner FTE will not serve as a member of the Board, but will assist the board in its hearing function, make conclusions of law and findings of fact, and perform other legal duties to assist the Board.

A Hearing Examiner makes \$100,000 per year, plus related benefits estimated at \$32,021 per year, at current benefits rates. The agency needs a 0.25 FTE Hearing Examiner, so the salary would be \$100,000 x 0.25 FTE = \$25,000, per FY, ongoing. Related benefits would total \$8,005, per FY, ongoing.

Goods and services are estimated at \$1,817 per year, ongoing, and include communications, payroll processing, training, and other staff costs. Estimates include some travel at the low cost per diem rates totaling \$349 per year, ongoing. Also included

is one time equipment costs for furniture and computers totaling \$5,557 in fiscal year 2025 (FY25).

Assume no capital budget impact: Currently, ELUHO leases space on the top floor of the State Parks building, Parsons Plaza. We assume we can repurpose space to include the FTE if they have a workstation at the ELUHO office. We assume the 0.25 Hearing Examiner FTE would be offered the option of working remotely.

**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	0	40,848	40,848	70,342	70,342
<b>Total \$</b>			0	40,848	40,848	70,342	70,342

**III. B - Expenditures by Object Or Purpose**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.3	0.1	0.3	0.3
A-Salaries and Wages		25,000	25,000	50,000	50,000
B-Employee Benefits		8,005	8,005	16,010	16,010
C-Professional Service Contracts					
E-Goods and Other Services		1,937	1,937	3,634	3,634
G-Travel		349	349	698	698
J-Capital Outlays		5,557	5,557		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	0	40,848	40,848	70,342	70,342

**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
Hearing Examiner	100,000		0.3	0.1	0.3	0.3
<b>Total FTEs</b>			0.3	0.1	0.3	0.3

**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.*

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

<b>Bill Number:</b> 5190 S SB	<b>Title:</b> Middle housing
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**Part I: Jurisdiction**-Location, type or status of political subdivision defines range of fiscal impacts.

**Legislation Impacts:**

- Cities:** Cities that meet certain population criteria would be required to increase density in residential zones, near major transit stops, community amenities, and for affordable housing. Cities would amend existing Growth Management Act (GMA) comprehensive plans to accommodate these new density requirements.
- Counties:**
- Special Districts:**
- Specific jurisdictions only:** Cities with a population of 25,000 or more, or any city bordering an urban growth area with a city with a population above 200,000 that is fully planning under the GMA.
- Variance occurs due to:**

**Part II: Estimates**

- No fiscal impacts.
- Expenditures represent one-time costs:** Ordinance adoption, accompanying transportation analysis costs, and updating zoning documents.
- Legislation provides local option:** Applying for implementation extensions. Applying for alternative local action determination from the Department of Commerce. Conducting off-street parking requirement analysis for middle housing near transit and in lots of greater or less than 6,000 square feet.
- Key variables cannot be estimated with certainty at this time:** Scope and scale of comprehensive plan element amendments; timing of comprehensive plan element amendments; number of cities that would qualify for the alternative local action determination.

**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		5,030,000	5,030,000	2,059,500	246,500
<b>TOTAL \$</b>		5,030,000	5,030,000	2,059,500	246,500
<b>GRAND TOTAL \$</b>					<b>7,336,000</b>

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: 02/16/2023
Leg. Committee Contact: Melissa Van Gorkom	Phone: 360-786-7491	Date: 02/09/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/16/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/16/2023

## **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. 2 would remove a stop or bus providing service at specific intervals and state ferry terminals from the definition of a major transit stop. This section includes a new definition of community amenities, which are public or private schools, and designated entry points to public parks.

Sec. 3 would amend the required ordinances authorizing increased residential density in residential zones. Amendments pertain to population thresholds and maximum units per lot for residential zones from the prior bill:

A city with a population of at least 25,000 but less than 75,000 must authorize at least: two units per lot on all lots zoned for predominately residential use; four units per lot in all lots zoned for predominately residential use, if at least one unit is affordable housing; and four units per lot in all lots zoned for predominately residential use within one-half mile of a major transit stop or community amenity.

A city with a population of at least 75,000, or any city located within a contiguous urban growth area with a city population above 200,000, must authorize: four units per lot on all lots zoned for predominately residential use; six units per lot on all lots zoned predominately for residential use, if at least two of the units are affordable housing; and six units per lot on all lots zoned predominately for residential use within one-half mile of a major transit stop or community amenity.

Removes provisions related to conducting antidisplacement measures in the mandatory housing element near transit stops within nine months of the effective date of this act for cities that have not implemented policies that would prevent displacement.

Adds a requirement for cities to only apply administrative design review for middle housing unless such review is otherwise required by state or federal law or the structure is listed on the local historic register through a local preservation ordinance.

Cities may be exempt from the parking provisions if the city or county makes a determination that the lack of minimum parking requirements in a defined area would make on-street parking infeasible or unsafe for the authorized units. This study must be supported by empirical evidence and best practices that is prepared by a credentialed transportation or land use planning expert.

Changes the implementation deadline for cities meeting population thresholds. These cities must comply with the density requirements to the latter of six months after a city's next required comprehensive plan update, or one year after the Office of Financial Management determines that a city has reached a population threshold.

Sec. 4 is a new section added to chapter 36.70A RCW

Would establish that the population associated with permits for middle housing units are exempt from the threshold of an Office of Financial Management population projection to a county or a county population allocation to a city.

Sec. 5 would require the Department of Commerce (Commerce) to publish a model middle housing ordinances no later than six months after the effective date of the bill. Previously, the model ordinance was required 18 months after the effective date of the bill. This model ordinance would supersede, preempt, and invalidate local code in cities that are required to adopt the ordinance in Sec. 3 by the due date specified by Sec. 3(8).

In approving alternative local actions to determine compliance, Commerce may favorably view plans and regulations that authorize an overall increase in density throughout the city, in units allowed per single family lot, which is at least 75 percent of the overall single-family density throughout the city that is required under this act.

Sec. 6 is a new section added to chapter 36.70A RCW

Authorizes cities to apply to Commerce for an extension in implementing the requirements of Sec. 3 of this act, for areas of cities that have residents at risk of displacement.

Sec. 8 would amend the requirements for cities to receive an extension for water, sewer, or stormwater deficiencies, including requiring a city to include any needed improvements in its capital facilities plan to increase capacity or identify which special district is responsible for providing needed infrastructure.

If a city is granted an extension, the city would be required to allow development in areas with water, sewer, or stormwater deficiencies, if a developer commits to providing the necessary infrastructure.

#### SUMMARY OF CURRENT VERSION OF BILL:

For cities fully planning under the Growth Management Act (GMA) with a population of at least 25,000, or any city located within a contiguous urban growth area with a city population above 200,000, must authorize increased density in residential zones, with increased density near major transit stops and community amenities. There would be a minimum of two units per lot authorized in all residential zones in cities with 25,000 to 75,000 in population, with escalating densities if the zone is within a half-mile walking distance of a major transit stop, public or private school, public park, or if affordable housing is a component of the housing units developed on a property. Cities with at least 75,000, or any city located within a contiguous urban growth area with a city population above 200,000, would have four unit per residential lot minimums, with escalating densities depending on proximity to transit, community amenities, and affordable housing development.

The implementation deadline for cities currently meeting the population thresholds would be six months after a city's next required comprehensive plan update, or one year after the Office of Financial Management determines that a city has reached a population threshold.

In creating local ordinances and development regulations, cities must not require standards for middle housing that are more restrictive than those required for detached single-family residences. Cities subject to the requirements of this act may only adopt objective development regulations and design standards. These cities may also only apply administrative design review for middle housing unless such review is otherwise required by state or federal law or the structure is listed on the local historic register through a local preservation ordinance. An exemption is allowed for areas of the city that are found to have inadequate water, sewer, and stormwater services or areas of the city where residents may face displacement though increased density in residential zones through market forces.

This legislation would take 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 modifies the population thresholds of the cities required to plan and implement the middle housing near transit and community amenities ordinance. These amendments reduce the number of impacted cities from 119 to 58. These amendments create a reduction of \$7.3 million in determinate city expenses between FY25 and FY28 compared to the prior bill.

To account for potential displacement of existing residents, the substitute bill authorizes cities to apply to the Department of Commerce for an implementation extension from adopting the ordinance in Sec. 3. This extension is only for areas of the city that have residents that are at risk of displacement through market forces. For cities that qualify for the extension, they must create a plan for implementing antidisplacement policies by their next implementation progress report.

There are potential cost savings in the substitute version of this legislation related to the alternative local action provision in

Sec. 5(3) that authorizes the Department of Commerce to determine if a city's existing comprehensive plan and development regulations for middle housing or residential density near transit are substantially similar to criteria established in Sec. 3. If plans and regulations are substantially similar, cities impacted by this bill may not be required to implement all provisions of Sec. 3. However, the number of such instances is indeterminate. For the purposes of this fiscal note the expenditure impacts assume that all cities affected by Sec. 3(1) would need to amend local code.

Cities may file for extensions to implement the middle housing near transit and community amenities ordinance if the city identifies deficient infrastructure to support the density increases. The extension would require updates to Capital Facilities Plan elements or an accounting of infrastructure provided by a special purpose district, and a plan to support the necessary infrastructure improvements. The Association of Washington Cities indicate that cities would have to account for changes in infrastructure system demand, due to the increased density proposed in this substitute bill, through updates to Capital Facilities Plan element. However, the number of jurisdictions that would file for an extension because of an infrastructure deficiency cannot be known in advance.

#### EXPENDITURE IMPACT OF CURRENT VERSION OF BILL:

This legislation would have a determinate and indeterminate impacts on cities that fully plan under the Growth Management Act (GMA). As of the most recent intercensal population estimate from Office of Financial Management (OFM), there are 58 cities meeting the population thresholds that require them to incorporate the increased density and middle housing near transit and community amenities provisions of this act into their local code.

For expenses that can be estimated at this time, the provisions in this bill would have costs exceeding \$7.3 million (\$4,466,000 ordinance amendments and adoption + \$2,580,000 transportation analysis + \$290,000 in updated zoning documents), and the timing of these costs would occur six months after the submission deadline of cities' periodic comprehensive update, between FY25 and FY28.

There would be indeterminate costs of \$6.3 million between FY24 and FY29, for cities to update certain comprehensive plan elements to account for housing allocations and utility system demand to support higher residential density. These element amendments would include, at minimum, the Housing and Capital Facilities Plan elements. The timing of these updates may occur from FY24 to FY29, although the implementation of amendments may be different than the periodic update schedule specified by RCW 36.70A.130.

Cities may be exempt from the parking provisions if the city or county makes a determination that the lack of minimum parking requirements in a defined area would make on-street parking infeasible or unsafe for the authorized units. Conducting parking analysis to determine if the limits to off-street parking would not be required for middle housing specified by Sec. 3(4)(e) through (f) would be a local option for cities that are required to implement the middle housing ordinance. There would be no cost for cities that took no action.

#### LOCAL GOVERNMENT FISCAL NOTE PROGRAM ASSUMPTIONS:

##### Number of Impacted Cities

The provisions of Sec. 3(1) and 3(8) indicate the cities that must adopt the increased density and middle housing near transit and community amenities requirements of Sec. 3. For these estimates, the Local Government Fiscal Note program assumes that for these cities, determination by OFM that a city reached the population threshold would occur on the effective date of the bill. Therefore, there are at least 58 cities impacted by this bill based on 2022 OFM intercensal population estimates.

For the purposes of this fiscal note, costs are applied to all impacted cities, although there may be cities that are not required to develop new middle housing ordinances if they are approved through the alternative local action review in Sec.

5(3).

Applicability for cities meeting the population thresholds:

Population of 25k to 75k - 27 Cities

Population of more than 75k or bordering a UGA with more than 200k in population – 31 Cities

Impacted Cities with Existing Middle Housing Code and Upzoned Residential Designations:

Cities impacted by this bill may apply for an approved alternative local action from the Department of Commerce (Commerce) through Sec. 5(3). This subsection establishes that to determine compliance, Commerce must favorably view comprehensive plans and permanent regulations that authorize an overall increase in density throughout the city, in units allowed per single family lot, which is at least 75 percent of the overall single-family density throughout the city in units allowed per lot.

The Association of Washington Cities (AWC) analyses of municipal code indicate that for cities impacted by Sec. 3(1)(a), 11 of 27 impacted cities have upzoned 75 percent of their residential single-family land use designations, and 24 of these cities allow middle housing in single-family zones. For cities impacted by Sec. 3(1)(b) 8 of the 31 cities have upzoned 75 percent of their residential single-family land use designations and 26 allow middle housing in single-family zones. The number of these cities that would qualify for alternative local action provisions of Sec. 5(3) cannot be known in advance, as the determination of which plans and regulations would be sufficient to meet the requirements of this bill would be conducted by Commerce. This determination may begin after the publication of the model middle housing near transit and community amenity ordinance.

IMPACT OF SECTION 3(1), 3(3), and 3(4)

\$4,466,000 – Costs that can be estimated at this time would be \$4.6 million (see calculations below) for 58 cities with starting costs of \$77,000 per city to amend local code through a variety new ordinances including zoning, development regulations, and permitting.

This work would involve modifying existing local zoning designation and residential use for any residential lot that applies to Sec. 3(1)(a) through (c) and create a new designation and use. It would also extend to any permitting process (site development plan review, variance, conditional use permits), environmental review, and zoning overlays. Sec. 3(3) would authorize any configuration of middle housing to support the increased residential density established through Sec. 3(1). Sec. 3(4) specifies that the ordinances must apply objective development and design standards, administrative design review, and design standards that are not as restrictive as those for single-family detached residences, and specific parking considerations for middle housing authorized in residential zones. Cities impacted by this bill would have to determine which zones are impacted and which ones already comply. According to AWC amending existing code generally carry higher costs than implementing new code.

Costs for provisions in Sec. 3(1), 3(3), and 3(4) 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. objective design regulations to ensure compatibility with existing code) 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.

Costs to amend each portion of local code to conform to the requirements of this act may be similar to the grant averages provided by the Department of Commerce (Commerce) in S HB 2343 (2020) where \$4 million in had been awarded to 52 fully planning cities with populations over 20,000 to increase residential building capacity under RCW 36.70A.600. The

average grant award was \$77,000 per city. The implementation of the ordinances to amend local code may begin in 2024 based on Sec. 3(8)(a) and may coincide with the publication of the model middle housing ordinance developed by Commerce six months after the effective date of this act. The timing of adopting increased density into local code would vary based on periodic review and revisions schedule of a city's comprehensive plan as specified by RCW 36.70A.130. It may also depend on the planning capacity of cities required to adopt such ordinances, their existing work to develop middle housing ordinances, and the whether a city has developed substantially similar development regulations per Sec. 5(3)(b). When the updates to local code are required, but not yet adopted, the model ordinance developed by Commerce would supersede, preempt, and invalidate local code per Sec. 5(2)(b).

Six Months after Periodic Review and Update of Comprehensive Plans are due:

Population of 25k to 75k in pop. - 27 Cities x \$77,000 = \$2,079,000

Population of 75k and bordering UGA with a city having more than 200k pop. - 31 Cities x \$77,000 = \$2,387,000

58 Cities adopting various ordinance with hearing of same complexity: (58 cities x \$77,000) = \$4,466,000

FY25 \$3,080,000

FY26 \$539,000

FY27 \$693,000

FY28 \$154,000

Total: \$4,466,000

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 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. If a jurisdiction were unable to update their code by the applicable deadlines, and their code were superseded by the model ordinance, there would be increased workload for local government staff to parse their code and differentiate which portions were still enforceable and which were superseded. This would increase the staff time needed to administer their code by an unknown amount, and only impact cities that did not implement the ordinance established by this act by the applicable deadline.

Transportation Evaluations:

\$2,580,000 – Costs that can be estimated at this time approximate to \$2.6 million (see calculations below). This bill would also impact the transit evaluation of modified single-family zoning districts in impacted cities. Costs would be more extensive in jurisdictions with a greater number of single-family zones. Costs estimates for transportation evaluations conducted during jurisdiction's planned actions in Association of Washington Cities 2020 Planning Cost Survey indicate that city costs have a range of \$35,000 to \$63,000. The Local Government Fiscal Note Program averaged the highest estimate to the base estimate in the AWC 2020 Planning Cost Survey to approximate the costs of the transportation evaluations for cities greater than 20,000 in population.

Transportation evaluations consider a wide number of variables in the potential effect of a proposed rezone, including but not limited to: vehicle ownership, vehicle operation, travel time, potential traffic collision impacts, health impacts, parking considerations, congestion impacts, road facilities capacity, land value, traffic services, transport diversity, air pollution, greenhouse gas emissions, noise pollution, land use impacts, water pollution, and waste generation.

Six Months after Periodic Review and Update of Comprehensive Plans are due:

Population of 25k to 75k in pop. - 27 Cities x \$47,500 = \$1,282,500

Population of 75k or bordering UGA with a city having more than 200k pop. – 31 cities = \$1,297,500

17 cities with greater than 75k in population – 17 x \$47,500 = \$807,500

14 cities bordering a UGA with more than 200k in population – 14 x \$35,000 = \$490,000

58 Cities adopting transportation evaluations to support increased residential density: \$2,580,000

FY25	\$1,750,000
FY26	\$332,500
FY27	\$415,000
FY28	\$82,500
Total	\$2,580,000

**Amending Existing Updating Zoning Documents, Outreach Materials, and Planning Maps:**

\$290,000 - This bill impacts all single-family zoned lots and their use designations as well as the cities' zoning maps. These documents would need to be amended to reflect the changes this legislation proposes, which would take staff time or hiring a consultant to perform the work. AWC estimate that the costs for updating zoning documents and planning maps would start at approximately \$5,000 per impacted jurisdiction. This work would occur concurrently with the updated local code starting in FY25.

58 cities x \$5,000 = \$290,000

FY25	\$200,000
FY26	\$35,000
FY27	\$45,000
FY28	\$10,000
Total	\$290,000

**Amended Mandatory GMA Elements:**

Indeterminate - Due to the changes this bill makes to increased density in portions of impacted cities, there would be impacts that have to be accounted for through updates to mandatory elements of city's comprehensive plans. AWC assume that these element updates would be complex and may extend to the Housing and Capital Facilities Plans elements, at minimum. These amended elements may have costs that exceed \$6,754,800, however the timing of these amendments is currently unknown.

An example of this comes from the City of Mukilteo, which would be required to up-zone its entire historic district. The city assumes that it would then have to update its Housing and Land Use elements since the growth it had planned for in the other portions of the city would be moved to the other side of town. The city indicated that existing planning for utilities and transportation were more difficult in this area due to geography, which may also need to be address through updates.

An illustrative example of costs is provided below if the amendments follow the periodic comprehensive update cycle specified by RCW 36.70A.130, and the jurisdictions that must review and revise their comprehensive plans due December 31, 2024 complete these element updates with their implementation progress reports. Smaller jurisdictions with populations less than 6,000 that are not required to complete an implementation progress report, such as the ones that border a UGA with greater than 200k in population, may not implement comprehensive plan updates until the next periodic review cycle in 2034

These mandatory comprehensive plan element costs use estimates for complex element updates from E2S HB 1099 (2022). Large cities are cities with greater than 100,000 in population, while medium size cities have populations between 10,000 and 100,000 in population, and small cities have less than 10,000 in population.



Two complex element amendments:

Small sized cities:  $\$32,475 \times 2 = \$64,950$

Medium sized cities:  $\$54,125 \times 2 = \$108,250$

Large sized cities:  $\$108,250 \times 2 = \$216,500$

14 small cities

$14 \times \$64,950 = \$909,300$

34 medium cities

$34 \times \$108,250 = \$3,680,500$

10 large cities,

$10 \times \$216,500 = \$2,165,000$

Total mandatory element update costs:  $\$6,754,800$

Illustrative city comprehensive plan element amendment costs by state fiscal year:

Based on the periodic update schedule in RCW 36.70A.130, the cities that would have to update their comprehensive plans to account for the increased density provisions of this act into their local code may have the following costs on a state fiscal year basis. The cost distributions are estimated based assessments by AWC and the Department of Commerce, where work on GMA comprehensive plans periodic updates usually begins two years prior to the submission deadline. For example, jurisdictions with comprehensive plans due June 30, 2025, may start on or before June 30, 2023.

Local Government Fiscal Note assumptions:

For cities with comprehensive plan review and revision submission deadlines in 2025 through 2027, the figures below assume all cities revise and review their comprehensive plans to account for increased residential density two years in advance of the submission deadline and encompass two years' worth of expenditures per planning city. For jurisdictions with comprehensive plan implementation progress reports due in 2029 specified by RCW 36.70A.130(9), these jurisdictions may begin work to update their comprehensive plan element updates two years in advance of the due date of the progress report, starting in FY28. The jurisdictions under 6,000 in population that are not required to conduct an implementation progress report are excluded from the totals below. These cities may update their comprehensive plans during the next periodic review cycle in 2034.

Illustrative cost estimates:

FY24 \$433,000

FY25 \$1,006,725

FY26 \$660,325

FY27 \$86,600

FY28 \$2,056,750

FY29 \$2,056,750

Total \$6,300,150

Ordinance implementation extension:

If a city determines that there are infrastructure deficiencies to support increased residential density, Sec. 8 of this act authorizes Commerce to issue an implementation extension for the middle housing near transit and community amenities ordinance. An extension would be issued if a city includes necessary improvements in its Capital Facilities Plan elements or identifies the special purpose district that is responsible for necessary infrastructure, and a plan is put in place to correct

the deficiencies. This extension would last until infrastructure improvements are complete, or until the next submission deadline of the city's comprehensive period update, or the submission of its implementation progress report. The number of cities that would have infrastructure deficiencies, and the length of time to correction these deficiencies cannot be known in advance.

#### IMPACT OF SECTION 3(2)

Recording Affordable Housing Terms in Deeds or Covenants

No Impact –The Washington State Association of County Auditors indicate that auditors are already conducting this work and there would not be an increase in workload.

#### IMPACT OF SECTION 3(5)

Conducting Parking Analysis:

Local Option – Cities may be exempt from the parking provisions if the city or county makes a determination that the lack of minimum parking requirements in a defined area would make on-street parking infeasible or unsafe for the authorized units. Conducting parking analysis to determine if the limits to off-street parking would not be required for middle housing specified by Sec. 3(4)(e) through (f) would be a local option for cities that are required to implement the middle housing ordinance. There would be no cost for cities that took no action.

#### IMPACT OF SECTION 4

Middle Housing and Cities' Allocated Population Projection:

Indeterminate - Sec. 4 would establish that middle housing does not count towards the projection which would allow more middle housing units to be developed. The Local Government Fiscal Note Program assumes that at least some developers that would otherwise build multifamily structures would start to develop middle housing and the rate of new starts for multifamily would decline, if this proposed substitute bill were to become law. The scale of the impact on local government permitting due to the number of middle housing starts cannot be known in advance.

The ordinance requirements in Sec. 3(4) establishes that cities may only adopt objective development regulations and design standards as well as only apply administrative design review. These requirements may streamline the permitting process and reduce costs for cities impacted by this legislation.

### 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 increase local government revenue.

#### SOURCES:

Association of Washington Cities

Association of Washington Cities, City Planning Cost Survey (2020)

American Planning Association – Washington

City of Mukilteo

Department of Commerce, FN S HB 2343 (2020)

House Local Government Committee Testimony (12/02/2022)

Local Government Fiscal Note Program, FN E2S HB 1099 (2022)

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

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

Local Government Fiscal Note Program, Unit Cost Model (2022)

MRSC, Missing Middle Housing

Victoria Transport Policy Institute, Transportation Cost Analysis

Washington State Association of County Auditors