Multiple Agency Fiscal Note Summary

Bill Number: 1596 S HB	**Title:** Affordable housing incentive

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
Joint Legislative Audit and Review Committee	.1	13,300	13,300	13,300	.0	0	0	0	.0	0	0	0
Department of Commerce	.5	177,050	177,050	177,050	.3	84,902	84,902	84,902	.3	84,902	84,902	84,902
Department of Revenue	.1	14,700	14,700	14,700	.0	0	0	0	.0	0	0	0
Total $	**0.7**	**205,050**	**205,050**	**205,050**	**0.3**	**84,902**	**84,902**	**84,902**	**0.3**	**84,902**	**84,902**	**84,902**

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 Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

Prepared by: Cheri Keller, OFM	**Phone:** (360) 584-2207	**Date Published:** Final 2/28/2023

Individual State Agency Fiscal Note

Bill Number: 1596 S HB	Title: Affordable housing incentive	Agency: 014-Joint Legislative Audit and Review Committee

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	0.1	0.0	0.1	0.0	0.0
Account					
General Fund-State 001-1	13,300	0	13,300	0	0
Total $	13,300	0	13,300	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:	Rachelle Harris	Phone: 360-786-7137	Date: 02/21/2023
Agency Preparation:	Ryan McCord	Phone: 360-786-5186	Date: 02/27/2023
Agency Approval:	Eric Thomas	Phone: 360 786-5182	Date: 02/27/2023
OFM Review:	Gaius Horton	Phone: (360) 819-3112	Date: 02/28/2023

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.

This bill creates a new property tax exemption as part of the Affordable Housing Incentive Program.

TAX PREFERENCE PERFORMANCE STATEMENT

SECTION 14 is a new tax preference performance statement, categorizing the new preference as one intended to induce certain designated behavior by taxpayers, as indicated in RCW 82.32.808(2)(a).

The Legislature's specific public policy objective is to preserve quality and healthy affordable housing where housing options, including quality and healthy affordable housing options, are very limited. The Legislature intends to provide a property tax exemption for residential improvements and land qualifying for the new property tax exemption created by the bill and to provide incentives to property owners to preserve affordable housing for very low-income households.

The performance statement provides no metrics or instructions for a future JLARC evaluation.

ADDITIONAL BILL CONTENT (ALL PART OF A NEW CHAPTER IN TITLE 84 RCW)

SECTION 1 provides definitions. The substitute bill limits the preference to counties with more than 1.5 million people. Currently, only King County meets that criteria.

SECTIONS 2 and 3 provide directions and qualifying criteria for a city governing authority to address when passing an ordinance to establish an affordable housing incentive program to preserve affordable housing within the city meeting certain health and quality standards for very-low income households.

SECTION 4 creates a property tax exemption for the value of residential housing improvements and land for single-family dwellings qualifying under this chapter. The exemption lasts for six years after the certificate of tax exemption is filed with the county assessor. The exemption may be repeatedly renewed for successive six-year periods as long as the property continues to comply with the affordable housing incentive program during each six-year period.

SECTIONS 5 - 7 address eligibility requirements for the exemption.

SECTIONS 8 - 11 address application requirements and processes.

SECTION 12 details the data that owners receiving the tax exemption must collect from tenants to certify family size and annual income.

SECTION 13 details the process for owners who discontinue compliance with the incentive program.

SECTION 15 is newly added in the substitute bill. It specifies that RCW 82.32.805 – the ten-year expiration for new tax preferences – does not apply to this preference.

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.

JLARC staff would contact and work with the Department of Revenue and other appropriate entities immediately after passage of the bill to ensure project contacts are established and any other necessary data for JLARC staff's future evaluation needs are identified and collected.

The expenditure detail reflects work conducted to prepare for a future review, which would likely occur in 2031-32, outside the time period covered in this fiscal note.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2023 legislative session.

This audit will require an estimated 1 audit month.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2023-25 costs are calculated at approximately $22,100 per audit month.

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	13,300	0	13,300	0	0
		Total $	13,300	0	13,300	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	8,600		8,600		
B-Employee Benefits	2,700		2,700		
C-Professional Service Contracts					
E-Goods and Other Services	1,800		1,800		
G-Travel	200		200		
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 $	13,300	0	13,300	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
Research Analyst	126,694	0.1		0.1		
Support staff	89,671					
Total FTEs		0.1		0.1		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.

Individual State Agency Fiscal Note

Bill Number: 1596 S HB	Title: Affordable housing incentive	Agency: 103-Department of Commerce

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	0.5	0.5	0.3	0.3
Account					
General Fund-State 001-1	87,195	89,855	177,050	84,902	84,902
Total $	87,195	89,855	177,050	84,902	84,902

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:	Rachelle Harris	Phone: 360-786-7137	Date: 02/21/2023
Agency Preparation:	Buck Lucas	Phone: 360-725-3180	Date: 02/22/2023
Agency Approval:	Joyce Miller	Phone: 360-725-2710	Date: 02/22/2023
OFM Review:	Gwen Stamey	Phone: (360) 790-1166	Date: 02/27/2023

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:

The substitute bill would not change the fiscal impact to the Department of Commerce (department) from the original bill:

Section 1 limits the governing authorities that can establish an affordable housing incentive program to counties with 1.5 million or more people and the cities within those counties. The original bill did not include a population threshold.

Section 15 provides that tax preference expiration dates do not apply to the bill.

Summary of the substitute bill:

Sections 1-11 and 13 establish a property tax exemption program for local governments to provide to owners of certain qualifying accessory dwelling units (ADUs) rented to households earning 50% area medium income (AMI) or less. These sections describe the program's operation, scope of the exemption, eligibility parameters, and similar provisions. Section 1 limits the governing authorities that can establish an affordable housing incentive program to counties with 1.5 million or more people and the cities within such county.

Section 12 requires participating property owners to submit an annual report to the applicable governing authority detailing certain compliance measures. The governing authority then must submit an annual report to the department detailing:

• The number of tax exemption certificates granted.
• The total monthly rent amount for each affordable unit.
• The dollar amount of the tax exemption issued for each project and the total dollar amount of tax exemptions granted within the jurisdiction.

Section 14 provides a tax preference statement.

Section 15 provides that the tax preference expiration dates in RCW 82.32.805 do not apply to the bill.

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 that each eligible jurisdiction will participate in the program and submit annual reports to the department under Section 12. The fiscal note for the original version of the bill assumed the number of participants would be indeterminate, because there was no limiting threshold, but assumed 50 jurisdictions would participate. The difference between these assumptions is de minimus and does not change the fiscal impact assumption.

• The department assumes immediate additional Information Services (IS) work to upgrade its internal data and tracking system in FY24 for manage additional annual report tracking.

• The department assumes that the workload associated with the reporting system in Section 12 and technical assistance to local governments would be added onto the responsibilities of existing Commercial Specialist 3 staff managing the multifamily tax exemption (MFTE) program and that no new staff would be required.

0.25 FTE Commercial Specialist 3 (522 hours) in FY24-FY29, to develop the new report system, outreach with local governments, provide technical assistance, and related report review and follow-up notification annually.

0.1 FTE IT Business Analyst Expert (209 hours) in FY24-FY25, for system operation and maintenance for report management, review tracking system, including ongoing maintenance and periodic upgrades thereafter.

0.1 FTE Application Developer (209 hours) in FY24-FY25, to design, develop, and support, including ongoing maintenance, the reporting system.

Salaries and Benefits:

FY24: $59,781
FY25: $61,780
FY26-FY29: $28,711 each fiscal year

Goods and Services:

FY24: $7,746
FY25: $7,749
FY26-FY29: $4,294 each fiscal year

Intra-agency reimbursements:

FY24: $19,668
FY25: $20,326
FY26-FY29: $9,446 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. Agency administration costs (e.g., payroll, HR, IT) are funded under a federally approved cost allocation plan.

=================

Total Costs:

FY24: $87,195
FY25: $89,855
FY26-FY29: $42,451 each fiscal year

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	87,195	89,855	177,050	84,902	84,902
		Total $	87,195	89,855	177,050	84,902	84,902

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5	0.5	0.5	0.3	0.3
A-Salaries and Wages	45,209	46,564	91,773	42,258	42,258
B-Employee Benefits	14,572	15,216	29,788	15,164	15,164
C-Professional Service Contracts					
E-Goods and Other Services	7,746	7,749	15,495	8,588	8,588
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	19,668	20,326	39,994	18,892	18,892
9-					
Total $	87,195	89,855	177,050	84,902	84,902

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Administrative Services - Indirect	111,168	0.1	0.1	0.1	0.0	0.0
Commerce Specialist 3	82,056	0.3	0.3	0.3	0.3	0.3
IT APP Development	120,457	0.1	0.1	0.1		
IT Buisiness Analyst	126,485	0.1	0.1	0.1		
Total FTEs		0.5	0.5	0.5	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

Part V: New Rule Making Required

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

Department of Revenue Fiscal Note

Bill Number: 1596 S HB	Title: Affordable housing incentive	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
Account					
GF-STATE-State 001-1	14,700		14,700		
Total $	14,700		14,700		

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:	Rachelle Harris	Phone: 360-786-7137	Date: 02/21/2023
Agency Preparation:	Mark Studer	Phone: 360-534-1507	Date: 02/24/2023
Agency Approval:	Valerie Torres	Phone: 360-534-1521	Date: 02/24/2023
OFM Review:	Cheri Keller	Phone: (360) 584-2207	Date: 02/25/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Note: This fiscal note reflects language in SHB 1596, 2023 Legislative Session.

COMPARISION OF SUBSTITUTE WITH THE ORIGINAL:
The substitute bill amends the definition of "Governing Authority" and removes the bill from the 10-year expiration for new tax preferences (RCW 82.32.805).

CURRENT LAW:
No affordable housing incentive program for single-family dwellings with accessory dwelling unit (ADU) for very low-income households exists in Washington.

PROPOSED LAW:
A governing authority may establish an affordable housing incentive program to preserve affordable housing for very low-income households. This legislation authorizes cities and counties to create an affordable housing property tax exemption program. The exemption is for six years. The property can receive additional six-year exemptions as long as the property continues to comply with qualification requirements.

The bill defines:
- Very low-income households as a single person, family, or unrelated persons living together whose adjusted income is at or below 50% of the area median income adjusted for family size, for the county in which the project is located, as reported by the United States department of housing and urban development
- Governing authority as the local legislative authority of a county with a population of more than 1,500,000, or of a city within such a county with jurisdiction over the property the owner applies for an exemption under this new chapter.

Only the ADU and underlying land dedicated solely to the ADU may qualify for the exemption. To be eligible for this exemption the property must:
- Be part of an affordable attached, built-in, or detached dwelling unit that is accessory to a single-family dwelling.
- The property-owner must enter into a contract with the city or county agreeing to terms and conditions required to satisfy eligibility criteria of the affordable housing incentive program.
- Rent levels, including any mandatory fees for tenant-paid utilities that are required as a condition of tenancy, may not exceed 30% of the income limit for the very low-income housing unit.
- The owner must continue to reside in either the single-family dwelling or the ADU.
- The property must comply with all applicable land use regulations, including but not limited to zoning, building codes, occupancy, structural, safety, etc.
- At a minimum, the standard for housing quality must be substantially equivalent to uniform physical condition standards, but the governing authority may establish additional standards to meet local needs.
- The property must be inspected for compliance with the standards prior to receiving the exemption.
- No requirement for annual household income after initial qualification, unless a change or substitution of adults living in the unit occurs.

The bill also requires the governing authority to:
- Include qualifying standards for very low-income households when creating their program, including rent limits and income guidelines.
- Establish other policies regarding the application process, inspection procedures, income verification procedures, required documents.

- Cancel the exemption if notified by the property owner that they no longer want to continue in the program.
- File an annual report with the Department of Commerce identifying the:
    - Number of tax exemptions granted.
    - Monthly rent amount of each affordable unit.
    - Amount of the tax exemption for each property, as well as the countywide total.

The governing authority can:
- Limit the exemption to targeted areas.
- Limit the exemption to only detached ADUs.
- Establish other policies regarding the application process, inspection procedures, income verification procedures, required documents, etc.
- Charge a fee, but the fee may not exceed the anticipated cost to administer the exemption program.

An owner must apply to the governing authority on forms adopted by the governing authority and must contain the followin
- Information supporting grounds for the exemption.
- Description of the property including a floorplan.
- Certification of family size and annual income requirements.
- Attest that they are aware of the potential tax liability involved when the property ceases to be eligible for the exemption.
- Submit a fee, if any, required by the governing authority.
- Submit an annual report to the governing authority indicating the family size and annual income of the tenant, as well as a statement the property is in compliance with the requirements of the exemption.
- Notify the governing authority and the tenant if they no longer want to continue in the exemption program. The notice must be given within 60 days of the owner intended discontinuance.

In the case of non-compliance, the property is subject to tax imposed on the property equal to the difference in the tax paid and the tax that would have been due if the property had not received the exemption, for each of the prior six years. Interest applies to the additional tax at the same statutory rate charged on delinquent tax and a penalty of 20% of the additional tax due applies.

The Legislature categorizes this tax preference as one intended to induce certain designated behavior by taxpayers.

The new tax preference 10-year expiration does not apply to this bill (see section 15 of the bill).

EFFECTIVE DATE:
The bill takes effect 90 days after final adjournment of the session in which it is enacted.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:
This bill allows local jurisdictions to establish a program, set the qualification requirements, and limit the exemption to targeted areas. There is no way of knowing which jurisdictions will establish this program, what the requirements may be, how may property owners will meet the qualifying criteria, and how many of those will apply. The number of exemptions granted are estimated to be very few, resulting in minimal shift of state and local property taxes.

REVENUE ESTIMATES:
Any loss in value resulting from this proposal results in a shift of the state property tax levy to non-exempt property owners

This exemption causes a shift of local property taxes by increasing local levy rates. Local districts at or near the statutory maximum rate may experience an indeterminate loss of revenue.

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.

FIRST YEAR COSTS:
The Department of Revenue (department) will incur total costs of $14,700 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.13 FTE.
- Adopt one new administrative rule.

SECOND YEAR COSTS:
The department will not incur total costs in fiscal year 2025.

ONGOING COSTS:
There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	9,300		9,300		
B-Employee Benefits	3,000		3,000		
E-Goods and Other Services	1,600		1,600		
J-Capital Outlays	800		800		
Total $	$14,700		$14,700		

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EMS BAND 4	126,619	0.0		0.0		
EMS BAND 5	147,919	0.0		0.0		
MGMT ANALYST4	73,260	0.0		0.0		
TAX POLICY SP 2	75,120	0.0		0.0		
TAX POLICY SP 3	85,020	0.1		0.0		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		0.1		0.1		

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

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

Should this legislation become law, the department will use the standard rulemaking process to adopt one new rule under chapter 458-16 WAC. Persons affected by this rulemaking would include local governments that want to increase affordable housing.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1596 S HB	**Title:** Affordable housing incentive

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

Legislation Impacts:

- [X] Cities: decrease in property tax revenue, tax shift for those granting exemptions under an Affordable Housing Exemption Program
- [X] Counties: same as above
- [ ] Special Districts:
- [ ] Specific jurisdictions only:
- [ ] Variance occurs due to:

Part II: Estimates

- [ ] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [X] Legislation provides local option: allows cities and counties to establish Affordable Housing Exemption Programs
- [X] Key variables cannot be estimated with certainty at this time: which jurisdictions will establish the exemption program, how many properties will be granted tax exemption, amounts of exemptions, fee amounts

Estimated revenue impacts to:

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

Estimated expenditure impacts to:

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

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/27/2023
Leg. Committee Contact: Rachelle Harris	Phone: 360-786-7137	Date: 02/21/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/27/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/27/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

CHANGES FROM PREVIOUS BILL VERSION

This substitute bill alters the definition of "Governing Authority," and removes the expiration date for the tax preference.

CURRENT BILL SUMMARY

This bill would allow cities and counties to establish an affordable housing incentive program for single-family dwellings with accessory dwelling unit (ADU) for very low-income households. The exemption is for six years. The property can receive additional six-year exemptions as long as the property continues to comply with qualification requirements.

Requires local authority to:

- Include qualifying standards for very low-income households when creating their program, including rent limits and income guidelines.
- Establish other policies regarding the application process, inspection procedures, income verification procedures, required documents.
- Cancel the exemption if notified by the property owner that they no longer want to continue in the program.
- File an annual report with the Department of Commerce identifying the:
    - Number of tax exemptions granted,
    - Monthly rent amount of each affordable unit, and
    - Amount of the tax exemption for each property, as well as the countywide total.

The governing authority can:

- Limit the exemption to targeted areas.
- Limit the exemption to only detached ADUs.
- Establish other policies regarding the application process, inspection procedures, income verification procedures, required documents, etc.
- Charge a fee, but the fee may not exceed the anticipated cost to administer the exemption program.

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 TO PREVIOUS BILL VERSION

Changes made to this substitute bill do not alter the previous analysis of local expenditure impacts.

SUMMARY OF CURRENT EXPENDITURE IMPACTS

By itself, the authority granted in this resolution has no fiscal impact.

There would be an increase in operational costs to establish and administer an affordable housing incentive program for the cities and counties choosing to do so. It is unknown which jurisdictions will implement this program, therefore costs cannot be estimated.

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 TO PREVIOUS BILL VERSION

Changes made to this substitute bill do not alter the previous analysis of local revenue impacts.

SUMMARY OF CURRENT REVENUE IMPACTS

By itself, the authority granted in this resolution has no fiscal impact.

There would be revenue impacts for those cities and counties choosing to establish an affordable housing incentive program. It is unknown which jurisdictions will establish this program, what the requirements or fees may be, how may property owners will meet the qualifying criteria, and how many of those will apply. Therefore, revenue impacts cannot be estimated.

According to the Department of Revenue (DOR) the number of exemptions granted are estimated to be very few, resulting in minimal shift of state and local property taxes. This exemption would cause a shift of local property taxes by increasing local levy rates. Local districts at or near the statutory maximum rate may experience an indeterminate loss of revenue. Please see the DOR fiscal note for their assumptions and data sources.

SOURCES:
Department of Revenue fiscal note, HB 1596 (2023)
House Bill Analysis, HB 1596, Local Government Committee (2023)