

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1167 2S HB	<b>Title:</b> Residential housing
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## Estimated Cash Receipts

NONE

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

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of the Governor	.0	225,000	225,000	225,000	.0	0	0	0	.0	0	0	0
Department of Commerce	1.6	476,165	476,165	476,165	1.2	324,436	324,436	324,436	1.2	324,436	324,436	324,436
Department of Commerce	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.											
Department of Enterprise Services	1.0	273,200	273,200	273,200	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>2.6</b>	<b>974,365</b>	<b>974,365</b>	<b>974,365</b>	<b>1.2</b>	<b>324,436</b>	<b>324,436</b>	<b>324,436</b>	<b>1.2</b>	<b>324,436</b>	<b>324,436</b>	<b>324,436</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			1,940,000			2,180,000			480,000
Local Gov. Other	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.								
Local Gov. Total			1,940,000			2,180,000			480,000

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of the Governor	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Department of Enterprise Services	.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

NONE

<b>Prepared by:</b> Gwen Stamey, OFM	<b>Phone:</b> (360) 790-1166	<b>Date Published:</b> Final 3/ 8/2023
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1167 2S HB	<b>Title:</b> Residential housing	<b>Agency:</b> 075-Office of the Governor
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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
<b>Account</b>					
General Fund-State 001-1	225,000	0	225,000	0	0
<b>Total \$</b>	225,000	0	225,000	0	0

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Jackie Wheeler	Phone: 360-786-7125	Date: 02/28/2023
Agency Preparation: Tracy Sayre	Phone: 360-890-5279	Date: 03/01/2023
Agency Approval: Jamie Langford	Phone: (360) 870-7766	Date: 03/01/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/02/2023

## 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.

Changes made in the second substitute bill did not impact sections pertaining to the Office of Regulatory and Innovation Assistance and therefore does not change the Office's previous fiscal note assumptions.

SHB 1167 requires the Office of Regulatory and Innovation Assistance (ORIA) to contract with an external consultant or entity to develop an optional standard plan set that demonstrates a prescriptive compliance pathway that meets or exceeds all energy code regulations for residential housing, subject to the International Residential Code

The standard plan set must be completed by December 31, 2023.

### 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.

ORIA will need to run a procurement and execute a contract with the successful consultant or entity to carry out the required work. After conferring with industry experts and reviewing similar contracts we estimate the work will could require up to 900 hours @ \$250 per hour. Funding for the consultant or firm is estimated to cost up to \$225,000.

## 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	225,000	0	225,000	0	0
<b>Total \$</b>			225,000	0	225,000	0	0

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts	225,000		225,000		
E-Goods and Other Services					
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					
9-					
<b>Total \$</b>	225,000	0	225,000	0	0

**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> 1167 2S HB	<b>Title:</b> Residential 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	1.6	1.6	1.6	1.2	1.2
<b>Account</b>					
General Fund-State 001-1	237,452	238,713	476,165	324,436	324,436
<b>Total \$</b>	237,452	238,713	476,165	324,436	324,436

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Jackie Wheeler	Phone: 360-786-7125	Date: 02/28/2023
Agency Preparation: Buck Lucas	Phone: 360-725-3180	Date: 03/03/2023
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 03/03/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 03/03/2023

## Part II: Narrative Explanation

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

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

Differences between the second substitute bill and the substitute bill:

The second substitute does not change the fiscal impact to the Department of Commerce (department) .

- The department's grant program is amended from concerning pre-approved middle housing plans to pre-approved accessory dwelling unit (ADU) plans.
- The scope of work required by work groups convened by the state Building Code Council (council) with respect to middle housing standards is changed.
- Local governments' authority to adopt development regulations regarding single exit residential buildings is removed and replaced with a council workgroup convened for making recommendations on single exit residential buildings.
- The development regulations required by jurisdictions to adopt regarding middle housing standards is changed along with the implementation date.
- The SEPA categorical exemption for infill development is re-instated from the original version of the bill.
- The deadline for completion of an optional standard plan or pathway for residential housing to meet or exceed energy code requirements is changed.
- A null and void clause is added.

Summary of the second substitute:

Section 1 adds a new section to RCW 36.70A requiring the department to develop and administer a new grant program to provide direct financial assistance to counties and cities for the adoption of preapproved ADU plans.

Section 2 adds a new section to RCW 19.27 requiring the council to convene a work group to recommend a mechanism in the International Residential Code (IRC) for adopting by reference provisions for multiplex housing contained in the International Building Code (IBC), instead of including multiplex housing in the IRC and exempting it from the IBC. The council is also required to convene a work group for the purpose of recommending modifications and limitations that would allow a single-exit stairway to serve multifamily residential structures up to six stories above grade plane, including considerations for water supply, the presence of a professional fire department, and any other provisions necessary to ensure public health, safety, and general welfare. Recommendations from these work groups must be provided to the council by July 1, 2026.

Section 3 adds a new section to RCW 36.70A changing the date by which cities and counties must adopt the required regulations for middle housing from July 1, 2025 to six months after a jurisdiction's next comprehensive plan update; clarifies that development regulations for middle housing, not multiplex housing, must not be more restrictive than that for detached single-family residences; modifies the definition of middle housing and middle housing types; and prohibits a city from requiring more than a single stairway in residential buildings of six stories or less if the conditions in the IBC are met, beginning July 1, 2026.

Section 4 amends RCW 43.21C.229 establishing a categorical exemption from SEPA for infill development within a quarter mile of a community core location.

Section 5 changes the deadline for completion of an optional standard plan or pathway for residential housing to meet or exceed energy code requirements from December 31, 2023 to June 30, 2024.

Section 6 adds a null and void clause, making the bill null and void unless funded in the omnibus appropriations act by June 30, 2023.

**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.*

Agency assumptions:

- The department must provide staffing for a grant program to assist cities and counties to modify codes and processes that will accommodate more ADUs.
- The grants under this act are indeterminate and subject to appropriation. It is unknown how many cities or counties would seek funding or at what level.
- The department assumes staff support will be required to monitor and provide input on the work groups that will be undertaken by the building code council (Section 2) to consider building code changes for middle housing.
- Additional rulemaking will be required to update department guidance and technical assistance to local governments related to Section 3, requiring moderate AAG review.

1.0 FTE Commerce Specialist 3, (2,088 hours) in FY 24-29, each fiscal year, for the new grant program development and ongoing management under Section 1.

0.2 FTE Commerce Specialist 3 (418 hours) in FY24-FY25, each fiscal year, to participate in the state building code council work group, providing needed technical assistance and monitoring.

0.2 FTE Management Analyst 4 (418 hours) in FY 24-25, each fiscal year, for update to technical assistance guidance and rulemaking to implement the changes under Section 3.

Salary & Benefits:

FY24: \$156,462

FY25: \$161,798

FY26-FY29: \$114,847 per fiscal year

Goods & Services:

Attorney General costs: \$5,000 in FY24-FY25 for 23.8 hours at \$210 per hour each fiscal year, for legal review of draft guidelines adopted by rule for the new Section 3 guidance through rulemaking.

FY24: \$18,414

FY25: \$18,423

FY26-FY29: \$9,586 per fiscal year



Travel:  
 Travel includes stakeholder outreach to local governments.

FY24-FY25: \$5,260 per fiscal year

Equipment:  
 Standard workstations in FY24 to include a computer/tablet.

FY24: \$5,840

Intra-agency Reimbursements:  
 FY24: \$51,476  
 FY25: \$53,232  
 FY26-FY29: \$37,785 per 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-agency administration costs (e.g., payroll, HR, IT) are funded under a federally approved cost allocation plan.

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 Total Costs:  
 FY24: \$237,452  
 FY25: \$238,713  
 FY26-FY29: \$162,218 per 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	237,452	238,713	476,165	324,436	324,436
<b>Total \$</b>			237,452	238,713	476,165	324,436	324,436

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.6	1.6	1.6	1.2	1.2
A-Salaries and Wages	115,709	119,181	234,890	169,036	169,036
B-Employee Benefits	40,753	42,617	83,370	60,658	60,658
C-Professional Service Contracts					
E-Goods and Other Services	18,414	18,423	36,837	19,172	19,172
G-Travel	5,260	5,260	10,520		
J-Capital Outlays	5,840		5,840		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	51,476	53,232	104,708	75,570	75,570
9-					
<b>Total \$</b>	237,452	238,713	476,165	324,436	324,436

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

**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	0.2	0.2	0.2	0.2	0.2
Commerce Specialist 3	82,056	1.2	1.2	1.2	1.0	1.0
Management Analyst 4	86,212	0.2	0.2	0.2		
<b>Total FTEs</b>		1.6	1.6	1.6	1.2	1.2

**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.*

The department will likely need to update its guidance under chapter 365-196 WAC to implement the new requirements under Sections 3.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1167 2S HB	<b>Title:</b> Residential housing	<b>Agency:</b> 179-Department of Enterprise Services
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.0	1.0	1.0	0.0	0.0
<b>Account</b>					
General Fund-State 001-1	136,600	136,600	273,200	0	0
<b>Total \$</b>	136,600	136,600	273,200	0	0

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Jackie Wheeler	Phone: 360-786-7125	Date: 02/28/2023
Agency Preparation: Michael Diaz	Phone: (360) 407-8131	Date: 03/06/2023
Agency Approval: Ashley Howard	Phone: (360) 407-8159	Date: 03/06/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/06/2023

## Part II: Narrative Explanation

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

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

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

Section 2 adds a new section to RCW 19.27.

Section 2(1) requires the State Building Code Council (SBCC) to create a work group whose purpose is to simplify the production of middle housing by recommending a mechanism in the international residential code that adopts by reference the provisions for multiplex housing in the international building code (IBC). The recommendations to the council shall be provided in time for the council to adopt or amend rules or codes as necessary for implementation in the 2024 international residential code (IRC). The council shall take action to adopt additions and amendments to rules or codes as necessary to apply the new reference mechanism in the IRC to multiplex housing by July 1, 2026. This has a fiscal impact to DES.

Section 2(2) requires the SBCC to create a work group to recommend modifications and limitations to the IBC that would allow a single exit stairway to serve multifamily residential structures up to six stories above grade plane. The recommendations to the council shall be provided in time for the council to adopt or amend rules or codes as necessary for implementation in the 2024 IBC. The council shall take action to adopt additions and amendments to rules or codes as necessary by July 1, 2026. This has fiscal impact to DES.

Section 3 adds a new section to RCW 36.70A and describes the requirements of cities and counties to adopt or amend their regulations to take effect six months after the jurisdiction's next periodic comprehensive plan update. This has no fiscal impact to DES.

Section 5 is a new section that requires the Office of Regulatory Innovation and Assistance to contract with a qualified external consultant or entity to develop a standard plan set. This standard plan set may be used, but is not required, by local governments and building industries. DES assumes these standard plan sets will not be incorporated into the state building code. Therefore, this has no fiscal impact to DES.

Section 6 states that if funding for this act is not provided by June 30, 2023, this act is null and void.

### II. B - Cash receipts Impact

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

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

Section 2 requires the State Building Code Council (SBCC) to develop two workgroups to recommend changes to rules or codes related to 1) multiplex housing codes and 2) single exit stairways. The current implementation date identified in 2SHB 1167 could be done within normal code adoption by SBCC. Therefore, there is no need for additional meetings for council members.

However, these two new workgroups impact the administrative staff that supports the SBCC.

This analysis assumes that 1 Management Analyst 5 would be required for two years, and the position would start July 1, 2023.

The impact to the administrative staff that supports the SBCC will be reevaluated at the end of the legislative session to determine the combined impact of legislation passed. A supplemental budget request to right size the staffing levels might be needed for the 2024 session.

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	136,600	136,600	273,200	0	0
<b>Total \$</b>			136,600	136,600	273,200	0	0

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.0	1.0	1.0		
A-Salaries and Wages	91,500	91,500	183,000		
B-Employee Benefits	31,100	31,100	62,200		
C-Professional Service Contracts					
E-Goods and Other Services	14,000	14,000	28,000		
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					
9-					
<b>Total \$</b>	136,600	136,600	273,200	0	0

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Management Analyst 5	91,524	1.0	1.0	1.0		
<b>Total FTEs</b>		1.0	1.0	1.0		0.0

**III. D - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

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

NONE

**IV. C - Capital Budget Breakout**

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

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

## **Part V: New Rule Making Required**

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

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

<b>Bill Number:</b> 1167 2S HB	<b>Title:</b> Residential housing
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**Part I: Jurisdiction**-Location, type or status of political subdivision defines range of fiscal impacts.

**Legislation Impacts:**

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

**Part II: Estimates**

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

**Estimated revenue impacts to:**

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

**Estimated expenditure impacts to:**

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City		1,820,000	1,820,000	1,750,000	350,000
County		120,000	120,000	430,000	130,000
<b>TOTAL \$</b>		1,940,000	1,940,000	2,180,000	480,000
<b>GRAND TOTAL \$</b>					<b>4,600,000</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: 03/08/2023
Leg. Committee Contact: Jackie Wheeler	Phone: 360-786-7125	Date: 02/28/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 03/08/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 03/08/2023

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

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

#### **CHANGES FROM PRIOR VERSION OF BILL:**

Sec. 1 is amended such that the grant program administered by the Department of Commerce to include only accessory dwelling unit preapproved plans.

Sec. 3(1) is amended such that the required development and zoning regulations in subsection three must be adopted within six months after the jurisdiction's next periodic comprehensive update is due to the Department of Commerce.

Sec. 3(2) Subsection three of this section would take effect and supersede any local ordinance, regulation, or other official control beginning on July 1, 2025.

Sec. 3 (3)(a) Amends the use of "multiplex housing" as "middle housing." Counties and cities may not impose or require more restrictive zoning, development, siting, or other standards to middle housing that is more restrictive than those for detached single-family dwellings. Exceptions are made for shoreline regulations, building, energy, and electrical codes, and critical areas protections.

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

Sec. 4 would amend 43.21C.229 RCW such that within an urban growth area, the State Environmental Policy Act (SEPA) categorical exemption for infill development statute would be amended to allow for residential development within one-quarter mile of a community core location.

Sec. 6 is a new section stating that if funding is not provided for the specific purposes of this act by June 30, 2023 in the omnibus appropriations act, this act is null and void.

#### **SUMMARY OF CURRENT VERSION OF BILL:**

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

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

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

The Department of Commerce must establish a grant program for cities and counties for the purposes of creating and approving accessory dwelling unit plans.

Sec. 3 would add a new section to 36.70A

Authorizes that in residential zones that allow for multiplex housing, fully planning local governments may not impose zoning, siting, or other housing standards that are more restrictive than those required for single-family residences, with exceptions for health and fire safety requirements.



Establishes that within one-quarter mile of a community core location, fully planning local governments may not require setbacks or development regulations for residential buildings that would prohibit the development from meeting the underlying zoning or density allowed. Exceptions would be allowed for building code, health and safety, public utility access, and meter access requirements.

Fully planning cities and counties must adopt these into development regulations, zoning regulations, and other official controls within six months after the jurisdiction's next periodic comprehensive update is due to the Department of Commerce.

The provisions of Sec 3(3) would take effect and supersede local code on July 1, 2025.

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

Sec. 4 would amend 43.21C.229 RCW such that within an urban growth area, the State Environmental Policy Act (SEPA) categorical exemption for infill development statute would be amended to allow for residential development within one-quarter mile of a community core location.

Sec. 6 is a new section stating that if funding is not provided for the specific purposes of this act by June 30, 2023 in the omnibus appropriations act, this act is null and void.

## **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:**

Sec. 1 amends the grant program to include only accessory dwelling unit preapproved plans.

Amendments to Sec. 3 of this proposed second substitute bill modify the mandatory ordinance for all fully planning cities and counties such that the ordinance must be adopted six months after of the submission deadline of the jurisdictions comprehensive plan to the Department of Commerce. This would extend the expenditure impact from FY25 to FY28 compared to the prior bill. However, Sec. 3(2) states that the middle housing regulations would take effect July 1, 2025 and supersede local code in jurisdictions where the provisions of Sec. 3(3) were not adopted. It is unclear how many jurisdictions with comprehensive plans due in 2026 and 2027 would adopt middle housing ordinances early to meet the July 1, 2025 effective date.

Similar to the prior bill, within one-half mile of a community core location, jurisdictions may also not require setbacks or development regulations for residential buildings that would prohibit the middle housing development from meeting the underlying zoning or density allowed, except as provided for building code, health and safety, or utility access and metering requirements. There may be increased costs related to this provision to determine the modifications to setbacks and other development regulations to maintain the underlying zoning or density allowed within a residential zone. The amendments in this proposed second substitute legislation remain consistent with increased density in residential zones that allow for middle housing development provisions of Sec. 3(3)(a) and would likely have similar costs to those estimated in the prior version of the fiscal note for this bill.

Sec. 4 would amend 43.21C.229 RCW such that within an urban growth area (UGA), the State Environmental Policy Act (SEPA) categorical exemption for infill development statute would allow for residential development within one-quarter mile of a community core location. Jurisdictions impacted by this legislation would have costs to incorporate the new infill development regulations into local code.

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

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

For costs that can be estimated at this time, the impact of this bill would be \$4.6 million with implementation of amended ordinances and accompanying analysis starting in FY25 to be complete by the middle of FY28. However, Sec. 3(3) would take effect in July 1, 2025, and it is unknown how many jurisdictions with comprehensive plans due after this date would adopt the Sec. 3(3) ordinance earlier than the timeline specified by Sec. 3(1).

Amending SEPA categorical exemptions related to infill development near community core locations would have indeterminate costs, which would vary by jurisdiction, as jurisdictions have implemented varying degrees of exemption to suit the development needs of the city or county. Jurisdictions without categorical exemptions for infill development could adopt these provisions into their code as a local option.

Applying for the grant program in Sec. 1 would be a local option. There would be no expenditure impact for local governments that took no action related to this section.

#### IMPACTS OF SECTION 1

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

#### Illustrative Example of Preapproved Plan Guide:

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

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

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

#### IMPACTS OF SECTION 3

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

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

county. Additional analysis would likely be required for fully planning cities and counties with a greater number of residential zones allowing middle housing and community core locations to determine how many, and in what parts of the jurisdiction these regulations apply.

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

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

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

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

Adoption of the ordinances would be required six months after the due date of the jurisdiction's comprehensive plan as specified by RCW 36.70A.130(5) and have the following costs per state fiscal year. These costs assume that every impacted jurisdiction adopts the ordinance six months after the due date of their comprehensive plan. It is not currently known how many, or which specific jurisdictions would not adopt the ordinance by the date specified by Sec. 3(1), or which jurisdictions would adopt the ordinance before it is required, in the case of jurisdictions with comprehensive plans due June 30, 2026, and June 30, 2027.

#### Counties

FY25: \$120,000  
FY26: \$240,000  
FY27: \$190,000  
FY28: \$130,000  
Total: \$680,000

#### Cities

FY25: \$1,820,000  
FY26: \$880,000  
FY27: \$870,000  
FY28: \$350,000  
Total: \$3,920,000

#### Combined

FY25: \$1,940,000  
FY26: \$1,120,000  
FY27: \$1,060,000

FY28: \$480,000  
Total: \$4,600,000

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 of Sec. 3(3) would automatically apply and take effect July 1, 2025. It is unclear if these jurisdictions would incur any legal costs based upon codes that do not conform to the required code measures. Such costs cannot be anticipated in advance and are indeterminate.

#### IMPACTS OF SECTION 4

##### Costs to Amend Existing Categorical Exemptions:

Indeterminate - For local governments that have State Environmental Policy Act (SEPA) categorical exemptions for infill development, there would be costs to incorporate the provisions of Sec. 4 into their local code. Many jurisdictions have adopted SEPA categorical exemptions by reference and incorporating the provisions of this act for community core locations may carry minimal costs for these jurisdictions. However, other jurisdictions may need to amend other development and zoning regulations to incorporate the changes to existing infill development exemptions, which would have more significant costs. The number of cities and counties that would choose one option or the other cannot be determined in advance.

The Local Government Fiscal Program Unit Cost Model estimates that the typical cost per jurisdiction to adopt an ordinance with a hearing of the same complexity from \$2,958 for a simple ordinance to \$9,492 for a complex ordinance. These estimates include costs for draft ordinances, advisory commission meeting and recommendation, finalized ordinance, publication of ordinance, and general public information. For jurisdictions that choose to adopt the categorical exemption in this act by reference there would be costs starting at \$2,958 per jurisdiction. There would be starting costs of at least \$9,492 for each city and county that adopts the categorical exemption in a more substantive manner.

##### Costs to Adopt New Categorical Exemptions:

Local Option – Estimate for each jurisdiction that would adopt categorical exemption for residential infill development would start at approximately \$9,492 per jurisdiction that does not currently have these provisions in their local code. Additional costs may be necessary to comply with the environmental review components of this section that authorize the infill development provisions.

##### Ordinance Adoption Costs:

Local Option - The Local Government Fiscal Program Unit Cost Model estimates that the typical cost to adopt an ordinance per jurisdiction ranges from \$2,958 for a simple ordinance with a hearing of the same complexity to \$9,492 for a complex ordinance with a hearing of the same complexity. These include costs for draft ordinances, advisory commission meeting and recommendation, finalized ordinance, publication of ordinance, and general public information.

##### Environmental Impact Statements Associated with SEPA Infill Development Categorical Exemptions:

Local Option - The number of jurisdictions that lack an infill development categorical exemption is unknown, but in these jurisdictions, an Environmental Impact Statement (EIS) would be a requirement per Sec. 3. The costs for the EIS may start \$100,000 per city and \$300,000 per county.

All project actions for residential housing construction within a UGA would be categorically exempt from SEPA if the proposed development is consistent with the jurisdiction's comprehensive plan; the proposed development would not exceed the density or intensity of use called for in the goals and policies of that applicable comprehensive plan; and the city or county's comprehensive plan was previously subjected to an EIS, or the city or county has an EIS that considers the proposed use or density and intensity of use in the area.

The cost to counties and individual cities that would pursue infill development through this categorical exemption would be

indeterminate due to the size, scale, and scope of development plans. The larger the area, the more it will influence the cost of development under the GMA planning provisions. Assessment from the Department of Commerce and the Association of Washington Cities indicates that it would be difficult to estimate how many cities and jurisdictions would be involved in this planning because the needs for infill development around the state vary significantly.

Estimates from the Association of Washington Cities' 2020 city planning cost survey indicate that the cost of an EIS to be approximately \$100,000 per city that chooses to undergo the infill development within their municipality. The Department of Commerce indicate these costs may approximate to \$300,000 for larger jurisdictions, in HB 2066 (2020). These costs include EIS alternative analysis and preferred alternative selection, and increasing the SEPA exemption threshold for residential and mixed use development within the UGA as it pertained to a planned action under RCW 43.21C.440.

There may be instances where cities or counties determine that their EIS is insufficient or needs refinements; especially if such refinements will automatically trigger an exemption to building and development requirements under the GMA. Even if there are cities that do not opt into the exemption, there could be pressure to review and refine existing EIS for infill development exemptions in GMA cities.

## **C. SUMMARY OF REVENUE IMPACTS**

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

### **CHANGES FROM PRIOR VERSION OF BILL:**

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

### **REVENUE IMPACT OF CURRENT VERSION OF BILL:**

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

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

### **SOURCES:**

Association of Washington Cities  
Association of Washington Cities, City Planning Survey (2020)  
Department of Commerce  
Department of Ecology, State Environmental Policy Act Handbook (2018)  
Local Government Fiscal Note Program, Unit Cost Model (2023)  
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Local Government Fiscal Note Program, FN S HB 1782 (2022)  
Local Government Fiscal Note Program, FN HB 1293 (2023)  
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Michigan Municipal League, This Used to be Normal: Pattern Book Homes for 21st Century Michigan (2022)  
Municipal Research and Services Center, Local Ordinances for Washington Cities and Counties (2016)