

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1245 E S HB	Title: Lot splitting
---------------------------------	-----------------------------

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

Legislation Impacts:

- Cities: Cities would be required to incorporate lot splitting into their local code for all residential zones that allow for detached single-family residences.
- Counties:
- Special Districts:
- Specific jurisdictions only: Only applies to cities planning under the Growth Management Act.
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs: Ordinance adoption and accompanying analysis.
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time: The number of cities that would also be required to revise subdivision codes to achieve internal consistency with the required lot splitting ordinance; scope and scale of amendments to comprehensive plans to account for housing and infrastructure changes of the lot splitting ordinance; number of cities that would need to conduct transportation and infrastructure evaluations to account for system demand changes as a result of the lot splitting ordinance.

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City		1,968,000	1,968,000	2,472,000	792,000
TOTAL \$		1,968,000	1,968,000	2,472,000	792,000
GRAND TOTAL \$					5,232,000

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

Part III: Preparation and Approval

Fiscal Note Analyst: Jordan Laramie	Phone: 360-725-5044	Date: 03/08/2023
Leg. Committee Contact: Maggie Douglas	Phone: 3607867279	Date: 03/03/2023
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:

The engrossed bill modifies the implementation timeline of the mandatory ordinance for cities that plan under the Growth Management Act (GMA). These cities would be required to adopt the ordinance six months after the submission deadline of the city's next comprehensive plan as specified by RCW 36.70A.130(5).

SUMMARY OF CURRENT BILL:

This legislation would require cities planning under the GMA to adopt or amend development regulations, zoning regulations, and other official controls to allow for lot splitting in residential zones that allow detached single-family dwellings within the city's urban growth area. The provisions of this bill would apply to residential zones allowing for detached single-family residences within the urban growth area.

Sec. 2 is a new chapter added to 36.70A RCW

Six months after the submission deadline of the next comprehensive plan as specified by RCW 36.70A.130(5), cities planning under the GMA would be required to adopt or amend development regulations, zoning regulations, or other official controls to authorize lot splitting in residential zones that permit detached single-family dwellings. For jurisdictions that do not adopt or amend local code by these deadlines, Sec. 2 of this act would supersede, preempt, and invalidate any conflicting development regulation.

(2) When adopting or amending local code, cities may not:

(a) Prohibit splitting a lot in a residential zone that allows for detached single-family residences so long as the resulting lots are:

--(i) through (v) at least 2,000 square feet, at least 40 percent of the size of the original lot, the original lot was not a split lot authorized by this section, the lot splitting does not result in demolition or alteration of an affordable housing unit or displacement of renter paying a market rate is the last year.

(b) Impose regulations on a residential lot that is the result of a lot split that:

--(i) through (v) requires more than one off-street parking space per lot, require more than 20 feet of frontage width per lot, requires easement widths of more than five feet for access to rear lots, imposes design standards or impact fees that are greater than those imposed on new residential construction within the same zone, impose requirements for dedicated rights-of-way or for construction of off-site improvements.

(3) Any construction on the split lot is subject to all state and local laws related to stormwater, critical areas, shorelines, and conservation except for the provisions specified in subsection 2.

The bill takes effect 90 days after adjournment of the session in which the bill is passed.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

CHANGES IN EXPENDITURE FROM THE PRIOR VERSION OF THE BILL:

Amendments to Sec. 2 of this proposed engrossed bill modify the mandatory ordinance for all fully planning cities such that the ordinance must be adopted six months after 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. There would be an unknown number of cities that this bill applies to, which would not implement the proposed ordinance in this bill by the applicable deadline.

SUMMARY OF CURRENT BILL:

For expenses that can be estimated at this time, there would be at least \$5.2 million in ordinance adoption and supporting zoning document update costs for the 218 cities impacted by this bill to incorporate lot splitting into their municipal code.

There would be additional significant indeterminate costs for cities to update comprehensive plan elements, subdivision development regulations and/or design standards, and conduct transportation and infrastructure evaluations in support of the lot splitting regulations purposed by this bill. The scope and scale of these indeterminate cost would vary based on the impacted jurisdiction, as well as the number of affected residential lots that allow for detached single-family dwellings. These costs cannot be determined in advance, but illustrative estimates are provided for context.

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 six months after the submission deadline of their comprehensive plan, their code would be superseded by state statute, and 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 impact cities that did not implement the ordinance established by this act by the applicable deadline.

ADOPTING DEVELOPMENT AND ZONING REGULATIONS FOR LOT SPLITTING

\$4,123,000 - The Association of Washington Cities (AWC) assumes that amending existing local code would be similar to costs for adopting ordinances similar to those found in HB 1337 (2023) with cost of approximately \$19,000 per city and include State Environmental Policy Act (SEPA) review.

218 cities with urban growth areas x \$19,000 = \$4,142,000

FY25: \$1,558,000
FY26: \$912,000
FY27: \$1,045,000
FY28: \$627,000
Total: \$4,142,000

AMENDMENTS TO ZONING MAPS AND/OR DOCUMENTS.

\$1,080,000 – For that amend their municipal code to allow for lot splitting within the urban growth area (UGA) boundary, there would be requirements to adopt new zoning maps and zoning documents reflecting the lot zoning amendments.

According to AWC, the costs for cities to adopt new zoning maps may start at \$5,000 per jurisdiction and would include changes to printed documents and digitally accessible maps. The timing of these costs would occur concurrently with the development of the lot splitting ordinance in FY24, except for those cities that do not amend their code by July 1, 2024.

218 cities x \$5,000 = \$1,090,000

FY25: \$410,000
FY26: \$240,000
FY27: \$275,000
FY28: \$165,000
Total: \$1,090,000

AMENDING LOCAL CODE FOR SUBDIVISIONS

Indeterminate - Each city that would need to amend subdivision code to achieve internal consistency with Sec. 2 of this act may have costs that exceed \$17,000 based review of grants to support urban residential housing provided by the Department of Commerce in 2021. The number of jurisdictions to which these amended subdivision code requirements would apply is not currently known.

Depending on how a city's municipal code is implemented, cities may be required to make amendments to subdivision code to be in compliance with the requirements of Sec.2 of the act. AWC and the American Planning Association – Washington Chapter indicate that these code amendments would be necessary in cities to which existing code is incompatible with Sec. 2, in order to make the smaller lots sizes established by this bill internally consistent with the rest of their municipal code. An example might be if subdivision design or lot layout standards were required under a city's existing subdivision standards. Amendments to existing standards would be required meet under the new requirements in Sec. 2(2) and therefore would have to be repealed via ordinance.

Illustrative Example of Subdivision Code Amendments

If half of all impacted cities would be required to amend existing subdivision code to achieve consistency with the provisions of Sec. 2 of this act, there would be 108 affected municipalities. These cities may have costs of approximately \$17,200 per impacted city, based on assessment of grants provided by the Department of Commerce to support middle housing ordinances and Housing Action Plans through HB 1921 (2019).

109 cities x \$17,200 = \$1,874,800

AMENDMENTS TO CITY HOUSING AND CAPITAL FACILITIES PLAN ELEMENTS,

Amended Comprehensive Plan Elements

Indeterminate – Amending comprehensive plan elements may have costs ranging from approximately \$16,200 to \$32,500 per element, for every city with an urban growth area. These figures assume the scope and scale of the amended elements is minor. Some impacted cities may have less complicated updates than others, which would depend on the number of affected residential zones and the number of impacted detached single-family lots. For illustrative costs that can be estimated at this time, these amendments may be less than \$8.6 million and occur between FY24 and FY27.

Total costs of bills that cause GMA element amendments are affected by the applicability (the total number of jurisdictions that are affected) and Sec. 2 impacts each city that has a UGA, which is all fully planning cities. The costs for GMA element amendments in this bill depend on the complexity of the amendment, the population size of the city, the prior planning work conducted by the jurisdiction, the scale and scope of the increased density provided by lot splitting, the internal capacity to perform the element amendments within the city's planning department, and other factors.

Housing elements would need to be amended to account for the increased housing density available through lot splitting detached single-family properties. Land capacity analysis is a requirement of Housing elements within the next periodic update cycle per HB 1220 (2021). For cities impacted by this bill, this act would require this capacity analysis be conducted prior the submission of their next periodic comprehensive plan update, scheduled for December 2024 through June 2027, per RCW 36.70A.130. Housing elements generally require complex amendments, however, the scope and scale of the updates required by adopting the lot splitting ordinance and increasing residential density would have varying complexities depending on the number of impacted residential zones and the number of detached single-family lots within the UGA. These element amendments may have per city costs ranging from \$16,238 to \$32,475 if they are minor comprehensive plan element updates.

Illustrative Estimate:

LGFN assumes the costs would be similar the minor element amendments found in HB 1181 (2023) and that the small jurisdictions under 10,000 in population would have element amendment costs of \$16,238, medium sized jurisdictions with populations between 10,000 and 100,000 would have costs of \$24,356, and large jurisdictions above 100,000 in population would have costs of \$32,475.

Small Cities: $131 \times \$16,238 = \$2,127,178$

Medium Sized Cities: $77 \times \$24,356 = \$1,875,412$

Large Cities: $10 \times \$32,475 = \$324,750$

Total: \$4,294,864

Capital facilities plan elements are a critical component in the process of designated or expanding UGAs because the plans must demonstrate that UGAs can be supported with adequate facilities, services, and funding to sustain urban development. Capital facilities plans, in conjunction with six-year capital improvement plans, can help jurisdictions use limited funding effectively to maximize financing opportunities to support urban services in these areas. By taking the increasing residential density within a UGA, planning jurisdictions would have to identify and plan for capital facilities' needs and funding in designated and expanded UGAs, including operations and maintenance. Capital facilities plan elements generally require complex amendments, however the scope and scale of the updates required by incorporating the lot splitting ordinance would have varying complexities depending on development patterns specific to a jurisdiction's UGA. These element amendments may have per city costs ranging from \$16,238 to \$32,475 if they are minor comprehensive plan element updates.

Illustrative Estimate:

LGFN assumes the costs would be similar the minor element amendments found in HB 1181 (2023) and that the small jurisdictions under 10,000 in population would have element amendment costs of \$16,238, medium sized jurisdictions with populations between 10,000 and 100,000 would have costs of \$24,356, and large jurisdictions above 100,000 in population would have costs of \$32,475.

Small Cities: $131 \times \$16,238 = \$2,127,178$

Medium Sized Cities: $77 \times \$24,356 = \$1,875,412$

Large Cities: $10 \times \$32,475 = \$324,750$

Total: \$4,294,864

TRANSPORTATION AND INFRASTRUCTURE EVALUATIONS

Transportation Evaluations:

Indeterminate – If every city that was required to implement the lot splitting ordinance required a transportation evaluation to determine how the new code impacted traffic patterns and services, costs could be significant. However, it is not currently known if all cities would have to conduct these assessments.

This bill would impact the transit patterns in 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 action in Association of Washington Cities 2020 Planning Cost Survey indicate that city costs have a range of \$35,000 to \$63,000.

Transportation analysis of the rezoning could be considerably expensive for those jurisdictions that are impacted by this legislation. Transportation evaluations consider a wide number of variables in the potential effect of a purposed 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.

Infrastructure Evaluations:

Indeterminate – If every city that was required to implement the lot splitting ordinance required an infrastructure evaluation to determine how the new code impacted demand on existing infrastructure systems, including domestic water, sewer, stormwater, and solid waste, costs could be significant. However, it is not currently known if all cities would have to conduct these assessments. It is also unknown if cities could integrate an infrastructure evaluation when updating their Capital Facilities Plan element.

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 IN EXPENDITURE FROM THE PRIOR VERSION OF THE BILL:

The changes to the engrossed bill do not change the revenue impact of the prior bill.

SUMMARY OF CURRENT BILL:

This legislation is not anticipated to impact local government revenues.

SOURCES:

- Association of Washington Cities
- Association of Washington Cities, City Planning Cost Survey (2020)
- American Planning Association – Washington
- Department of Commerce
- Department of Commerce, A Guide to the Periodic Update Process under the GMA (2022)
- Department of Commerce, Guidance for HB 1220 and Related Bills (2022)
- Local Government Fiscal Note Program, FN HB 1337 (2023)
- Local Government Fiscal Note Program, FN HB 1181 (2023)
- Local Government Fiscal Note Program, FN HB 1402 (2023)
- Local Government Fiscal Note Program, FN HB 1660 (2022)
- Municipal Research Services Center, Comprehensive Planning
- Municipal Research Services Center, Missing Middle Housing
- Municipal Research Services Center, Urban Growth Areas
- Victoria Transport Policy Institute, Transportation Cost Analysis (2022)