

Multiple Agency Fiscal Note Summary

Bill Number: 5290 2S SB	Title: Local permit review
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Estimated Cash Receipts

NONE

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

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Commerce	2.9	1,046,098	1,046,098	1,046,098	2.4	701,130	701,130	701,130	2.4	703,530	703,530	703,530
Department of Commerce	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.											
Environmental and Land Use Hearings Office	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	2.9	1,046,098	1,046,098	1,046,098	2.4	701,130	701,130	701,130	2.4	703,530	703,530	703,530

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			7,678,293			1,087,914			1,087,914
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			7,678,293			1,087,914			1,087,914

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Environmental and Land Use Hearings Office	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

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

Estimated Capital Budget Breakout

NONE

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

Bill Number: 5290 2S SB	Title: Local permit review	Agency: 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	3.3	2.4	2.9	2.4	2.4
Account					
General Fund-State 001-1	695,533	350,565	1,046,098	701,130	703,530
Total \$	695,533	350,565	1,046,098	701,130	703,530

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: Mahnur Khan	Phone: 360-786-7437	Date: 02/28/2023
Agency Preparation: Buck Lucas	Phone: 360-725-3180	Date: 03/01/2023
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 03/01/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 03/01/2023

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 and the first substitute bill:

The substitute bill would not change the department's assumptions or expected cost impacts.

- Section 2 adds that local governments are authorized to use the grant funds awarded by the Department of Commerce (department) to contract outside assistance to audit their development regulations to identify and correct barriers to housing development.
- Section 7(1)(b) establishes the deadline by which local governments must apply the bill's new development regulations to project permits submitted after January 1, 2025.
- Section 7(1)(i) authorizes local governments to add an additional 30 days to the deadline to issue a final decision if the applicant is not responsive for more than 60 consecutive days after the local government has notified the applicant that additional information is required to further process the application, or if the applicant has informed the local government that they would like to temporarily suspend the review of the project for more than 60 days.
- Section 7(1)(l) requires local governments to refund or not collect a portion of the permit fees if it has not issued a final decision by the established deadline, unless it has adopted at least three of the options listed in RCW 36.70B.160(1) to efficiently processes permit applications.
- Section 8 adds to and amends the list in RCW 36.70B.160(1) of project permit review options that local governments can adopt to avoid the missed deadline penalty in section 7.

Summary of the second substitute bill:

Section 1 amends RCW 36.70B.140 adding provisions that require local governments to exclude project permits for interior alterations from site plan review, with specific exceptions to this restriction. A definition for interior alternation is also added to for purposes of this section.

Section 2 adds a new section to RCW 36.70B requiring, subject to appropriate funds, the department to establish a consolidated permit review grant program. The section outlines the criteria by which the department may award grants to any local government, if they take legislative action to commit to specific permit review consolidation requirements, as outlined in this section, or may use the funds to contract outside assistance to audit their development regulations to identify and correct barriers to housing development. A local jurisdiction awarded a grant under this section must submit to the department a quarterly report outlining the average maximum time for permit review during the jurisdictions grant participation. The section also outlines a probationary grant period and eligibility requirements for the grant, based on meeting the grant terms and conditions.

Section 3 adds a new section to RCW 36.70B requiring, subject to appropriated funds, the department to establish a new grant program for local governments to update their permit review process from paper filing systems to software systems capable of processing digital permit applications, virtual inspections, electronic review and capacity for video storage.

Section 4 adds a new section to RCW 36.70B requiring, subject to appropriated funds, the department to convene a digital permitting process work group to examine potential license and permitting software for local governments. The department must appoint members to the work group, in consultation with the Association of Washington Cities (AWC) and the Washington State Association of Counties (WSAC). The department must convene the first meeting of the work group by

August 1, 2023. A final report must be submitted to the governor and legislature by August 1, 2024. The section outlines the report contents and requirements.

Sections 5 and 6 amends RCW 36.70B.020 and RCW 36.70A.070, respectively, modifying additional provisions of the local government project review and permit processes.

Section 7 amends RCW 36.70B.080 requiring counties subject to RCW 36.70A.215, (Clark, King, Kitsap, Pierce, Snohomish, Thurston, and Whatcom counties), and the cities within those counties with populations of at least 20,000, submit annual performance reports to the department by March 1, beginning in 2025. Additional details for permit data to include within these reports are outlined in detail in the section. The department must publish, no later than July 1, an annual report, which includes the annual performance report data for each county and city subject to the requirements of this subsection, including a list of time frames and information on best practices. The department published report must include key metrics and findings from the information collected. Section 7 also establishes the new development regulations applicable to project permit process and establishes January 1, 2025 as the deadline by which those regulations must be applied to new applications.

Section 8 amends RCW 36.70B.160 encouraging local governments to adopt a number of provisions to expedite review of project permit applications for projects consistent with adopted development regulations. The section outlines these additional, recommended elements in detail. The section further adds a new provision requiring that technical assistance from department should focus on local governments that have implemented at least three of the options in this section. Technical assistance for the department must including guidance to assist local governments in setting appropriate fee structures related to this section, that are reasonable and sufficient to recover true costs, including guidance on appropriate factors or measures to reflect cost increases.

Section 9 requires the department develop a template to be utilized by counties and cities for data reporting under Section 7. The section further requires this county and city data collection must begin by 2024.

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 (Sections 1-4):

- The level of grant funding for the new grant programs in Section 2 and 3 is subject to appropriation, and the number of local governments that may apply to them is unknown. For purposes of this fiscal note, the department assumes 53 grants initially would be provided to communities that apply for the consolidated permit review process grants, which would be between \$50,000-\$100,000 for mid-sized cities. Therefore, with an average grant of \$75,000 per city.
- Based on similar grant programs of this size of funding level, the department will require approximately 3.0 FTE additional staff in FY24 and thereafter with technical expertise in land use planning and permit review to implementing the new provisions of Chapter 36.70B RCW, including developing and administering these new pass-through grant programs (Section 2 and 3), data reporting and management (Section 2), and to convene and administer the digital permitting process work group (Section 4).
- Due to the short FY24 timelines and deadlines established for the grant programs (Sections 2 and 3), and to immediately contract for a technical facilitator and convene stakeholders and prepare a final report (Section 4), the department assumes work would immediately begin in FY24 for hiring necessary staff to begin initial development of the new grant program and

to convene the digital permitting process work group by August 1, 2023.

- A professional consultant with expertise in permit review and local government processing, will be hired to assist with work group facilitation, digital and electronic expertise with the subject matter in Section 4, and legislative report preparation.
- The department assumes immediate additional Information Services (IS) work to upgrade to its internal data and tracking system in FY24 for managing additional grant quarterly report tracking and related local government submittals and data collection, related to tracking eligibility (Section 2 and 4).

Assumptions (Section 7-10):

- The department will receive 50 annual reports from covered jurisdictions (7 counties and 43 cities) detailing the new reporting requirements in Section 7.
- The department will require staff to create a reporting template and a new intake process to receive reports.
- The department will require staff to publish a report that compiles the annual performance report data from each reporting jurisdiction, lists the jurisdictions whose time frames are shorter than those provided for in chapter 36.70B RCW, and includes key metrics and findings from the information collected.
- The department will track non-compliance with the local performance reporting requirement, and conduct nonresponse follow up for jurisdictions that have not submitted a timely report, under Section 7.
- The department will provide technical assistance and conduct outreach and guidance to the covered jurisdictions to raise awareness of the reporting requirements, published information online and guidance for departmental review, including the development of a template for local county and city data collection, and reporting by the effective dates in the bill (Sections 8-10).

Rulemaking may be required, within existing resources, to address the amendments to chapter 36.70B WAC, where applicable (All sections).

Sections 1-10:

1.0 FTE Commerce Specialist 4 (2,088 hours) in FY24-FY29, for grant program development and overall program management, with specific expertise in local permit review and processing, technical assistance and management of the work group under Sections 2, 3, and 4.

1.0 FTE Commerce Specialist 3 (2,088 hours) in FY24 and 0.5 FTE Commerce Specialist 3 (1,044 hours) in FY25-FY29, for general program administration and to consult with local governments to develop the reporting system. This position will be responsible for ongoing operations of the annual reporting system, compilation of data from the reports received by the department, analysis and drafting of the key metrics and findings, tracking non-compliance and grant ineligibility, and website operation and management.

0.7 FTE Management Analyst 4 (1,462 hours) in FY24, and 0.5 FTE Management Analyst 4 (1,044 hours) in FY25-Fy29, for coordinating local grant quarterly report, work group support and grant program development, develop policies and procedures to implement the annual department reporting and publication system and provide ongoing management, and coordinate rulemaking.

0.1 FTE IT Policy and Planning Manager (ITPP-4) (209 hours) in FY24, for digital work group participation. (Section 4).

Salaries and Benefits:

FY24: \$325,323

FY25-FY29: \$237,293 per fiscal year

Professional Services Contract:

The department assumes a professional consultant for work group facilitation, with expertise in digital permitting and feasibility study (Section 4) at 1,000 hours in FY24, with a billable rate of \$200 per hour.

FY24: \$200,000

Goods and Services:

FY24: \$49,779

FY25-FY29: \$35,203 per fiscal year

Travel:

The department assume travel for outreach and technical assistance in FY24 regarding the local data collection and reporting requirements (Sections 7-9), consisting of 20 days of outreach and engagement to the relevant local jurisdictions, with half of them requiring lodging.

FY24: \$3,400

Equipment:

The department assumes standard workstations in FY24 and a replacement computer based on the department's five-year replacement schedule.

FY24: \$10,000

FY28: \$2,400

Grants, Benefits, Client Services:

The level of grant funding for the new grant programs in Section 2 and 3 is subject to appropriation, and the number of local governments that may apply to them is indeterminate, however for purposes of this fiscal note, the assumption is approximately \$4 million in grant assistance (Sections 2-3) based on the Governor's Proposed Budget.

Intra-agency Reimbursements:

FY24: \$107,031

FY25-FY29: \$78,069 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. Agency administration costs (e.g., payroll, HR, IT) are funded under a federally approved cost allocation plan.

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Total Costs:

FY24: \$695,533

FY25-FY27: \$350,565 per fiscal year

FY28: \$352,965

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	695,533	350,565	1,046,098	701,130	703,530
Total \$			695,533	350,565	1,046,098	701,130	703,530

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	3.3	2.4	2.9	2.4	2.4
A-Salaries and Wages	241,892	175,456	417,348	350,912	350,912
B-Employee Benefits	83,431	61,837	145,268	123,674	123,674
C-Professional Service Contracts	200,000		200,000		
E-Goods and Other Services	49,779	35,203	84,982	70,406	70,406
G-Travel	3,400		3,400		2,400
J-Capital Outlays	10,000		10,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	107,031	78,069	185,100	156,138	156,138
9-					
Total \$	695,533	350,565	1,046,098	701,130	703,530

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	0.5	0.4	0.5	0.4	0.4
Commerce Specialist 3	82,056	1.0	0.5	0.8	0.5	0.5
Commerce Specialist 4	86,212	1.0	1.0	1.0	1.0	1.0
IT Policy & Planning - Manager	132,762	0.1		0.1		
Management Analyst 4	86,212	0.7	0.5	0.6	0.5	0.5
Total FTEs		3.3	2.4	2.9	2.4	2.4

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.

Rulemaking under Chapters 365-196 and -197 WAC to address amendments to Sections 1-9.

Individual State Agency Fiscal Note

Bill Number: 5290 2S SB	Title: Local permit review	Agency: 468-Environmental and Land Use Hearings Office
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

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

Legislative Contact: Mahnur Khan	Phone: 360-786-7437	Date: 02/28/2023
Agency Preparation: Dominga Soliz	Phone: 3606649173	Date: 03/04/2023
Agency Approval: Dominga Soliz	Phone: 3606649173	Date: 03/04/2023
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	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.

NO CHANGE TO ANTICIPATED IMPACTS from previous versions.

The amendments to Sections 2, 7, and 8 are unlikely to result in appeals to the Growth Management Hearings Board (GMHB).

ELUHO assumes the GMHB can absorb any appeals that result from 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.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

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

NONE

Part V: New Rule Making Required

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

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5290 2S SB	Title: Local permit review
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities:** Cities and towns would be required to adopt an ordinance or resolution that would create a site plan review exemption for certain interior alterations of existing structures. Cities and towns planning under the Growth Management Act would be required to adopt ordinances for permit processing and permitting timelines for project permit applications. Certain cities would have increased costs related to implementing new permit tracking and reporting requirements.
- Counties:** Same as above.
- Special Districts:**
- Specific jurisdictions only:** Only counties, and cities within those counties with populations greater than 20,000, that are required to conduct Urban Growth Capacity Reports under the buildable lands program would have new permit tracking and reporting requirements.
- Variance occurs due to:**

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs: Ordinance adoption costs.
- Legislation provides local option: Adopting further project review and code provisions established by this act. Cities and towns would eligible for consolidated permit review and digital permitting system grants.
- Key variables cannot be estimated with certainty at this time: Various indeterminate costs related to implementing new ordinances, the timing of adopting new ordinances, the amount of grant funding available in new programs established by this act, and the extent that the permit tracking template could reduce costs for local governments required to submit reports to the Department of Commerce.

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	2,006,212	3,570,506	5,576,718	298,076	298,076
County	762,552	1,339,023	2,101,575	789,838	789,838
TOTAL \$	2,768,764	4,909,529	7,678,293	1,087,914	1,087,914
GRAND TOTAL \$					9,854,121

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: 03/06/2023
Leg. Committee Contact: Mahnur Khan	Phone: 360-786-7437	Date: 02/28/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 03/06/2023
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 BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

Sec. 2 authorizes local governments to use grant funds from the consolidated permit review grant program to contract for services to audit their development regulations to identify and correct barriers to housing development.

Sec 7 establishes that for all project permits submitted after January 1, 2025, development regulations must specify the contents of a complete project permit application necessary for compliance with the time periods set by this act, for each permit type. When a final decision for a permit timeline is not met by a local government, up to 20 percent of the permit fee must be refunded to the applicant. Alternatively, 80 percent of the fee may be paid up front by the applicant and the remaining 20 percent may be paid if the permit time frames are met. These provisions do not apply to cities and counties that have implemented at least three of the encouraged actions related to project permit review in Sec. 8(1).

Sec. 8 amends the types of encouraged project review and code provisions that are meant to provide prompt and coordinated review of project permit applications.

SUMMARY OF CURRENT BILL:

This second substitute legislation would create new a site plan review exemption and establish optional grant programs for local governments as well as amend local project review statute which outlines requirements for reviewing project permits, providing public notice, clarifying open record hearing, public meeting, and closed record appeal, determining application completeness, and issuing a notice of decision.

Local governments would be required to adopt an ordinance or resolution that would create a site plan review permit exemption for certain interior alterations of existing structures. Local governments may choose to adopt a consolidated building permit review program that would achieve issuing final decisions for residential permit applications within 45 business days or 90 calendar days. Jurisdictions that choose to adopt this new program, and comply with its funding eligibility criteria, would be eligible for grant funding from Commerce subject to amounts appropriated by the legislature for this purpose.

Local governments would be eligible for an additional grant program to modernize their permit application systems, virtual inspection capabilities, and data storage capacity, subject to amounts appropriated by the Legislature for this purpose. City and county representatives would support a Commerce work group on the digital permitting systems, barriers to entry for using these systems, cost benefit analysis of proposed systems, and providing recommendations to the Legislature by August 1, 2024.

For jurisdictions fully planning under the Growth Management Act (GMA), project permit applications would be required to be procedurally complete if all of the information listed on a submission checklist is included with an application packet. However, addition information or studies may still be requested by the local government.

Fully planning jurisdiction must revise final approval deadlines of project permit applications depending on the public notice and public hearing requirements. Unless provided for the consolidated review of more than one permit, a final decision on permit timelines may not exceed 120 days. These jurisdictions are encouraged to adopt policies into their local code that provide prompt and accountable project permit application review procedures. The permitting timeline requirements of this act would take effect on January 1, 2025.

Under this legislation, jurisdictions that are required to conduct Urban Growth Capacity Reports under the buildable lands program would have new permit tracking and annual reporting requirements for certain types of permits associated with housing. Annual reporting would begin March 1st, 2025. Cities and counties that do not submit these reports, would not be eligible to receive grants, loans, or financial guarantees provided by the state for public works projects and water pollution control facilities.

The remainder of this act 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 IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

The amendments to the second substitute version of this bill do not change the expenditure impact of the prior bill.

EXPENDITURE IMPACTS OF CURRENT BILL:

The proposed second substitute legislation would have both determinate and indeterminate impacts on cities, towns, and counties planning under the provisions of the Growth Management Act (GMA).

For expenses that can be estimated at this time related to Sec. 6 and Sec. 7, costs would be approximately \$3.0 million (\$735,648 to adopt new procedurally complete project permit requirements + \$2,332,456 to adopt ordinances for the new permitting timelines) for all GMA fully planning cities, towns, and counties and the timing of these costs would occur in FY24 and FY25.

The start-up costs to develop the permit tracking and reporting program detailed in Sec. 8 within the seven counties and 43 cities over 20,000 in population in the buildable lands program would be approximately \$4 million in FY24, with on-going operations and reporting requirements of approximately \$544,000 per fiscal year, starting in FY25.

There would be indeterminate costs for all cities, towns, and counties due to the site plan review exemption for certain interior alterations in Sec. 1. The indeterminate costs for ordinance implementation in Sec. 1(3) may be approximately \$1.9 million for all impacted jurisdictions.

Cities and counties who choose the local option to implement a building permit review consolidation process in Sec. 2 would have costs to draft and adopt the implementing ordinance that establishes the processes of the building permit review program. The number of local governments that would adopt this ordinance cannot be known in advance. If a local government already meet the requirements of Sec. 2 within their established permitting processes there would be no costs associated with this section.

Local governments that apply for grant funding from the grant programs established in Sec. 2 and Sec. 3 would be doing so as a local option. There may be costs to apply for grant funding that could range from de minimus to more substantive, which would depend whether the program grants were competitive or formula based. Local governments have identified competitive grants as more costly than formula based grants as they require more staff time to develop.

City and county representatives who are appointed to the Department of Commerce (Commerce) digital permitting work group in Sec. 4 may have costs to participate in the workgroup meetings and activities. However, the composition of local government representatives that may be appointed to this group is not currently known.

There would be additional indeterminate aspects of this bill that include an unknown number of jurisdiction that not implement the permit processing and permitting timelines for project permit applications ordinances in Sec. 6 and Sec. 7 by the effective date of this act, and the degree that the permit tracking template in Sec. 9 could reduce costs for local governments required to submit reports to Commerce.

Adopting additional project review and code provisions in Sec. 8 would be a local option for GMA fully planning cities, towns, and counties. If local governments take no action, there would be no impact.

IMPACT OF SECTION 1:

Site Plan Review Exemption Ordinance:

Indeterminate – Estimated cost of \$1,886,910 for implementing a complex ordinance for all 320 impacted jurisdictions, which involves ordinance drafting, review from each jurisdiction's advisory committee, and implementation. The timing of

these costs would likely occur in FY24. However, the cost to implement the site plan review exemption would vary by jurisdiction and the costs for the provisions of Sec. 1(3) may be higher than this estimate. An illustrative example of higher implementation costs are provided below.

There are 281 cities and town, and 39 counties that would be impacted by Sec. 1. Assessment from the Association of Washington Cities (AWC) indicate that removing only site plan review but not excluding the permit process entirely, may impact land use review ordinances and outreach documents, as well as web pages, which would need to be amended. The Municipal Research and Services Center indicate that amendments to the statute in Sec. 1 do not require a public hearing to accompany the ordinance.

Ordinance Adoption Costs:

The Local Government Fiscal Note Program Unit Cost Model estimates that the typical cost to adopt an ordinance per jurisdiction ranges from \$594 for a simple ordinance to \$9,492 for a complex ordinance with a hearing of the same complexity. These costs include costs for draft ordinances, advisory commission meeting and recommendation, finalized ordinance, publication of ordinance, and general public information. The cost of a moderately complex ordinance with a hearing of the same complexity is \$5,910 per city, and \$5,800 per county.

Note: These cost estimates are for only one meeting or staff report, more complex ordinances would likely require more meetings and potentially more staff reports. There would be further costs associated with enforcing or executing the ordinance.

Cities:

281 cities and towns x \$5,910 for a complex ordinance with a review by the jurisdiction's Planning Commission = \$1,660,710 in ordinance adoption and review costs.

Counties:

39 counties x \$5,800 for a complex ordinance with a review by the jurisdiction's Planning Commission = \$226,200 in ordinance adoption and review costs.

Total estimated ordinance adopt costs: (\$1,660,710 for cities + \$226,200 for counties) = \$1,886,910

Illustrative Example from the City of Bainbridge Island:

The City of Bainbridge Island indicate that costs for the site plan review exemption could be as high as \$9,000 to implement. This exemption may require additional meetings between the Planning Commission and City Council, which may add costs to implementing the ordinance. As an illustrative example, if this figure were approximated across 50 percent of all impacted jurisdictions the total estimated cost would be \$2,344,005 in ordinance review and implementation costs. However, there would likely be variation in implementation costs between jurisdictions.

Illustrative Example Costs:

Assumptions:

- 50 percent of cities require greater review than other cities ($281/2 = 140.5$, ~141 cities)
- 50 percent of counties require greater review than other counties ($39 \text{ counties} / 2 = 19.5$, ~20 counties)
- Costs for ordinance adoption that requires additional review are at least \$9,000 per jurisdiction
- The Local Government Fiscal Note Program estimate for moderately complex ordinance adoption are assumed for the remaining local governments that do not require additional review.

Cities:

\$5,910 x 140 cities and towns = \$827,400

\$9,000 x 141 cities and towns = \$1,269,000
Illustrative City Total: (\$827,400 + \$1,269,000) = \$2,096,400

Counties:

\$5,800 x 19 counties = \$110,200
\$9,000 x 20 counties = \$180,000
Illustrative County Total: (\$110,200 + \$180,000) = \$290,200

Combined City and County:

Illustrative Total Costs: (\$2,096,400 + \$290,200) = \$2,386,600

Additional Amendments to Existing Outreach Documents

The Association of Washington Cities indicate that there would be additional indeterminate costs related to updating outreach materials and websites to conform to the new permitting exemption. The costs of these updates would vary by jurisdiction and are indeterminate.

IMPACT OF SECTION 2:

Building Permit Review and Consolidation Program:

Local Option - The building permit review consolidation objectives in Sec. 2 would be a local option, which would have costs to implement that would vary for each jurisdiction.

Participating local governments would have costs to adopt the permitting process and fee structure capable of supporting a 45 business day or 90 calendar day decision on residential permits. These processes would be established through ordinance or resolution. The costs for jurisdictions to adopt an ordinance for this type of permit review program may be similar to the costs of Sec. 1, where costs could start at approximately \$5,000 to \$9,000 per local government.

The number of jurisdictions that would choose to adopt new building permit review timelines and supporting fees is not known at this time. However, the Washington State Association of Counties (WSAC) indicate that counties would be interested in the permit review consolidation grants because it allows them to contract out to third-parties and be reimbursed to pay for this program. However, the number of counties that would apply is not currently known.

There may be additional costs for participating jurisdictions to prepare and file grant applications with Commerce. These costs would vary by jurisdiction and the total expenditure impact would depend on the number of jurisdictions that choose this local option.

IMPACT OF SECTION 3:

Local Option - Applying for the digital permitting systems grant program in Sec. 3 would be a local option. There may be costs for local governments to prepare and file an application with Commerce for the purposes of the grant program established in Sec. 3. Prior feedback about the costs associated with applying to grant programs from local governments indicate costs may be minimal to more substantive depending on if the grant program is competitive or formula based.

WSAC indicate that many small and medium sized counties may be interested in pursuing these grants because the interpretation is that the grants provide for permitting review equipment and licenses for real time processing software that could be used out in the field, with virtual field inspections capabilities, which would require expanded data storage capacity.

IMPACT OF SECTION 4:

Indeterminate - Local government representatives that are appointed to the work group in Sec. 4 may have costs to

participate in workgroup activities. Commerce assumes that meetings for the work group would be similar to prior Growth Management Act collaborative work groups, in terms of meeting frequency and workload.

Commerce indicate that this evaluation may require a larger work group of invited cities, counties, and industries, and building officials, with a smaller steering committee of approximately 10 members. At this time, the local government composition of the work group is not known, and the costs are indeterminate.

Commerce assume that initial consultations of the work group may have longer meetings to establish information and have presentations on material for the evaluation. After the initial consultations were conducted, meetings would occur twice per month between October 1, 2023 and May 1, 2024 and involve a few hours per month to support work group activities, per appointed member. The work group would reconvene for more extensive meetings to draft and finalize the report from May 2024 to July 1, 2024.

IMPACT OF SECTION 6:

Ordinance Adoption for Procedurally Complete Project Permits:

\$735,648 - It is a requirement of Sec. 6 of this act that all fully planning jurisdictions must amend development review policies such that a written determination for project permit applications are submitted to the applicant within 20 business days. For incomplete applications, the ordinance would detail that a determination must include an outline of what is necessary to make the application procedurally complete. The Local Government Fiscal Note Program Unit Cost Model estimates the cost of adopting a simple ordinance with hearing of the same complexity to amend existing local code would be \$3,000 for cities and \$2,916 for counties. For the purposes of analysis, these impacts are assumed to occur 90 days after the conclusion of the 2023 session, during FY 2024.

218 cities x \$3,000 = \$654,000

28 counties x \$2,916 = \$81,648

Total: \$735,648

For jurisdictions that do not outline the completeness requirements on the project permit application itself, there would be further costs to amend these documents so that the new requirements were specified in the application. Costs to modify documents may be de minimis to more substantive depending on the work to add local project permit processes to the permit. The number of jurisdictions that would be required to amend documents is not currently known.

IMPACT OF SECTION 7:

Ordinance Adoption for Project Permit Timelines:

\$2,332,456 - It is a requirement of Sec. 7 of this act that all fully planning jurisdictions must adopt an ordinance to amend project permit application review timelines. The Local Government Fiscal Note Program estimates the cost of adopting a complex ordinance with hearing of the same complexity at \$9,492 for cities and \$9,400 for counties. For the purposes of analysis, these impacts are assumed to occur during FY 2025 to comply with the implementation date of January 1, 2025, specified by Sec. 10.

218 cities x \$9,492 = \$2,069,256

28 counties x \$9,400 = \$263,200

Total: \$2,332,456

These costs include draft ordinances, advisory commission meeting and recommendation, finalized ordinance, publication of ordinance, and general public information. This cost estimates is for only one meetings and staff reports, more complex

ordinances would likely require more advisory committee meetings and potentially more staff reports. There would be further costs associated with enforcing or executing the ordinance.

Other changes needed to implement this legislation could result in increases in staffing hours, retention of consulting services, providing training and altering permit software systems would need to occur separately and would result in additional expenditures. These impacts will vary from jurisdiction to jurisdiction and cannot be predicted in advance.

If a local government does not adopt an ordinance or resolution modifying their local code with the provision of Sec. 7(1)(d), the subsection would take effect on January 1, 2025. Some jurisdictions may elect not to bring their codes into conformity with the requirements of this legislation prior to the applicable deadline. In these jurisdictions, the provision of Sec. 7(1)(d) would automatically apply and take effect, per Sec. 7(1)(f). It is unclear if these jurisdictions would incur any legal costs based upon codes that do not conform to the required code measures. Such costs cannot be anticipated in advance and are indeterminate.

If a jurisdiction were unable to update their code by the effective date and their code were superseded by state statute, 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 and counties that did not implement the ordinance established by this act by the applicable deadline.

Permit Tracking and Reporting for Buildable Lands Cities and Counties:

\$4,066,231 in start-up, and \$543,957 in on-going reporting costs – Local governments compile permit records in a number of different ways. Some jurisdictions compile the information manually by pulling permit files and extracting the information. Some jurisdictions have developed very sophisticated permit processing systems that are online, integrated with neighboring jurisdictions, include GIS maps and track permits. These different methods of compiling permit records for the annual report specified by Sec. 7(2) would have varying costs depending on the system and processes developed by the local government, and how efficiently the new requirements could be incorporated into existing permit tracking systems. It is not currently known how the template created by Commerce would be integrated into the requirements of Sec. 7(2) and reduce costs for jurisdictions in the buildable lands program.

Local governments that do not submit required information to Commerce are assumed to be doing so as a local option, and no fiscal impacts are associated with the ineligibility for grants, loans, or financial guarantees provided by the state for public works projects and water pollution control facilities.

Start-up and On-going Costs:

A survey of buildable lands cities counties was conducted by Commerce in 2005 that estimated the start-up costs and on-going costs of the removed provisions of Sec 7(2)(b). When adjusted for inflation using the Bureau of Labor and Statistics CPI inflation calculator, these costs range from approximately \$56,000 for jurisdictions with populations of more than more than 10,000, and \$195,000 in counties with greater than 200,000 in population, within the buildable lands program. These costs are assumed to be incurred during FY24 and FY25 to meet the annual reporting deadline starting March 1st, 2025.

7 buildable lands counties – $\$194,544 \times 7 = \$1,361,808$

43 buildable lands cities –

35 cities above 20,000 and 100,000 in population - $\$55,925 \times 35 = \$1,957,375$

8 cities above 100,000 in population - $\$93,381 \times 8 = \$747,048$

Total: $\$1,361,808 + \$2,704,423 = \$4,066,231$

Starting March 1st 2025, there would be on-going annual reporting costs associated with Sec. 7(2). Using on-going operations costs from the Commerce study on local government project permitting, the responding jurisdiction's average CPI inflation adjusted costs are \$3,466 for cities and \$56,417 for counties. These costs would be incurred during FY25 through FY29, and on-going into future years. However, the template created by Commerce per Sec. 9 would be integrated into the requirements of Sec. 7(2) and may potentially reduce costs for jurisdictions in the buildable lands program.

7 buildable lands counties – $\$56,417 \times 7 = \$394,919$

43 buildable lands cities – $\$3,466 \times 43 = \$149,038$

Total: $\$394,919 + \$149,038 = \$543,957$

IMPACT OF SECTION 8:

Local Option - Each local government is encouraged to adopt further project review and code provisions to provide prompt and coordinated review for project permit applications, as a local option. There would be no impact for local governments that take no action related to this section. The number of jurisdictions that would codify additional project review code revisions specified in Sec. 8(1) cannot be known in advance.

However, if permitting final decisions do not meet the required deadlines detailed by Sec. 7(1)(d) local governments would be required to reimburse up to 20 percent of application fees to applicants per Sec. 7(1)(l). There may be long-term cost savings for jurisdictions that do not habitually meet project permit application deadlines. The magnitude of these cost savings would depend on project permit volume and the number of applications that fail to meet the deadline, both of which would vary by jurisdiction and cannot be estimated at this time.

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 REVENUE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

This second substitute legislation may result in indeterminate revenue reductions for cities and counties planning under the Growth Management Act that are not able to process permit applications within the timeframes specified by Sec. 7(1)(d). The number of jurisdictions that would not meet these deadlines cannot be known in advance.

Revenue reductions for such jurisdictions would vary by the types of project permits, the fees associated with these permits, and the length of time before a final decision on an application was made by a local government as detailed and Sec. 7(2)(a)(i) and (ii). The maximum amount of refunded permit fee revenue would be 20 percent of the fee, if the established time frame is exceeded by more than 20 percent.

For local governments that implement at least three provisions of Sec. 8(1)(a) through (k) these revenue reductions would not apply. However, the number of local governments that would adopt provisions of Sec. 8(1) into their local code cannot be known in advance.

REVENUE IMPACTS OF CURRENT BILL:

This proposed substitute legislation would have indeterminate revenue impacts on cities and counties.

Increased Revenue from Building Permit Consolidation and Permitting Technology Grants:

The number of local governments that already have permitting processes that make them eligible for grant funding, or choose to adopt ordinances that implement the building permit review consolidation process in Sec. 2 that would make them eligible for grant funding, and the number of jurisdictions that would apply for the digital permitting system grants in

Sec. 3, cannot be known in advance.

This legislation would increase revenue to jurisdictions that are awarding grant funding for the purposes of this act. However, the amount of grant funding in Sec. 2 and Sec. 3 has not been established by the Legislature, therefore the total revenue impact for local governments is indeterminate.

The level of grant funding for the new grant programs in Section 2 and 3 is subject to appropriation, and the number of local governments that may apply to them is indeterminate. In its fiscal note for SB 5290 (2023), the Department of Commerce assumes 53 grants initially would be required, and consolidated permit review process grants would be between \$50,000 and \$100,000 for mid-sized cities. Therefore, with an average grant of \$75,000 per city, the assumption would be approximately \$4,000,000 in necessary grant funding to establish the program.

Permit Fee Reimbursement for Jurisdictions that do not meet Permitting Timelines:

If permitting final decisions do not meet the required deadlines detailed by Sec. 7(1)(d) local governments would be required to reimburse up to 20 percent of application fees to applicants per Sec. 7(1)(l). The magnitude of these cost savings would depend on project permit volume and the number of applications that fail to meet the deadline, both of which would vary by jurisdiction and cannot be estimated at this time. There may be long-term cost savings for jurisdictions that do not habitually meet project permit application deadlines to implement the encouraged permit review and code provisions in Sec. 8.

SOURCES:

Association of Washington Cities

Bureau of Labor and Statistics, CPI Inflation Calculator

City of Bainbridge Island

City of Kirkland

City of Olympia

Department of Commerce, FN SB 5290 (2023)

Department of Commerce, Local Government Project Permitting (2005)

Local Government Fiscal Note Program, FN SB 6461 (2020)

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

Municipal Research and Services Center, When is a Development Application Ready for Review

Municipal Research and Services Center, Local Ordinances for Washington Cities and Counties (2015)

Senate Bill Report, SB 5290 (2023)

Senate Bill Report, S SB 5290 (2023)

Senate Bill Report, SB 5473 (2023)

Washington State Association of Counties