

Multiple Agency Fiscal Note Summary

Bill Number: 1167 E 2S HB	Title: 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
Total \$	2.6	974,365	974,365	974,365	1.2	324,436	324,436	324,436	1.2	324,436	324,436	324,436

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			2,099,800			2,163,000			488,200
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			2,099,800			2,163,000			488,200

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
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 3/13/2023
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Individual State Agency Fiscal Note

Bill Number: 1167 E 2S HB	Title: Residential housing	Agency: 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
Account					
General Fund-State 001-1	225,000	0	225,000	0	0
Total \$	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: Karen Epps	Phone: 360-786-7424	Date: 03/07/2023
Agency Preparation: Tracy Sayre	Phone: 360-890-5279	Date: 03/07/2023
Agency Approval: Jamie Langford	Phone: (360) 870-7766	Date: 03/07/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/07/2023

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 engrossed 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
Total \$			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-					
Total \$	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

Bill Number: 1167 E 2S HB	Title: Residential housing	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	1.6	1.6	1.6	1.2	1.2
Account					
General Fund-State 001-1	237,452	238,713	476,165	324,436	324,436
Total \$	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: Karen Epps	Phone: 360-786-7424	Date: 03/07/2023
Agency Preparation: Buck Lucas	Phone: 360-725-3180	Date: 03/10/2023
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 03/10/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 03/10/2023

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 E2SHB 1167 and 2SHB 1167:

No amendments in E2SHB 1167 will change the Department of Commerce's (department) assumptions about the fiscal impact of the bill from 2SHB 1167:

- Section 3 removes the requirement for counties to adopt regulations for middle housing, and it removes the July 1, 2025 effective date, clarifying cities must adopt the required regulations for middle housing as six months after a jurisdiction's next comprehensive plan update.
- Section 4 is replaced, removing the categorical exemptions and adding a new section, amending RCW 36.70A, The Growth Management Act (GMA), to allow all cities and counties to adopt regulations that create a simple, low-cost, expedited permit process, and the section further outlines the details for this process.
- Section 6 is added, amending the Local Project Review Act (RCW 36.70B) to require a local government planning under RCW 36.70A.040 to follow new guidelines. The subsequent sections of the bill are also renumbered accordingly.

Summary of E2SHB 1167:

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 must adopt the required regulations for middle housing 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 adds a new section to RCW 36.70A, the GMA, to allow all cities and counties to adopt regulations that create a simple, low-cost, expedited permit process for development of single-family, duplex, triplex, or accessory dwelling housing units with less than 1,801 square feet per unit in locations within an urban growth area designated for residential housing.

Section 6 amends RCW 36.70B.120 requiring a city or county to conduct any design review of housing development permit applications administratively, beginning six months after the jurisdiction's next comprehensive plan update. It defines administrative design review and housing development for purposes of this subsection.

Section 7 changes the deadline for completion of an optional standard plan or pathway for residential housing to meet or exceed energy code requirements June 30, 2024.

Section 8 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-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
Total \$			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-					
Total \$	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		
Total FTEs		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

Bill Number: 1167 E 2S HB	Title: Residential housing	Agency: 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
Account					
General Fund-State 001-1	136,600	136,600	273,200	0	0
Total \$	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: Karen Epps	Phone: 360-786-7424	Date: 03/07/2023
Agency Preparation: Michael Diaz	Phone: (360) 407-8131	Date: 03/09/2023
Agency Approval: Ashley Howard	Phone: (360) 407-8159	Date: 03/09/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/09/2023

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 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 4 adds a new section to RCW 36.70A that allows cities and counties to adopt development regulations that will create a simple, low cost, expedited permit process for certain dwellings. This has no fiscal impact to DES.

Section 7 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 8 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
Total \$			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-					
Total \$	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		
Total FTEs		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

Bill Number: 1167 E 2S HB

Title: Residential housing

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 middle housing developments within residential zones. These cities would also be required to amend permit review processes to allow for administrative review of housing development permit applications.
- Counties: Fully planning counties would also be required to amend permit review processes to allow for administrative review of housing development permit applications.
- Special Districts:
- Specific jurisdictions only:
- 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 grant funding in preapproved accessory dwelling unit plan program.
- Key variables cannot be estimated with certainty at this time: Funding level of the grant program and which jurisdictions would apply; number of cities and counties that would fail to meet the implementation deadlines specified by the bill.

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		2,062,200	2,062,200	1,993,800	431,800
County		37,600	37,600	169,200	56,400
TOTAL \$		2,099,800	2,099,800	2,163,000	488,200
GRAND TOTAL \$					4,751,000

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: 03/13/2023
Leg. Committee Contact: Karen Epps	Phone: 360-786-7424	Date: 03/07/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 03/13/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 03/13/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

This fiscal note reflects language in E2S HB 1167, 2023 Legislative Session.

CHANGES FROM PRIOR VERSION OF BILL:

The engrossed second substitute version of this legislation is amended such that fully planning counties are not required to implement the ordinance specified by Sec. 3. The provision related to development regulation specifications for middle housing within a quarter mile of community core locations was removed.

Section 4 of the prior bill is removed from the engrossed second substitute version of this act. This amendment removes the State Environmental Policy Act categorical exemption for infill development for residential developments a quarter mile from a community core location. The new Sec. 4 authorizes cities and counties planning under the GMA to adopt development regulations that create an expedited permit process for single-family, duplex, triplex, and accessory dwelling units with less than 1,801 square feet per unit within cities or urban growth areas.

Design review has been removed from the definition of a “public meeting” in 36.70B.020 RCW. Permit review statute has been amended such that permit review for housing development permit applications may only require administrative design review from a local government planning director or their designee.

SUMMARY OF CURRENT VERSION OF BILL:

This proposed engrossed second substitute legislation would require cities fully planning under the Growth Management Act (GMA) to adopt or amend middle housing development and zoning regulations, such that a city’s official controls within zones that allow for middle housing are not more restrictive than those applied to single-family residences. Fully planning cities would be required to adopt these development and zoning regulations six months after the submission deadline of its next periodic comprehensive plan update.

Additionally, the proposed bill removes design review from the definition of a public meeting to facilitate that a housing development permit application may only go through administrative review by a planning director or their designee to review, approve or deny a permit application. Cities and counties fully planning under the GMA would be required to adopt the administrative design review processes six months after the submission deadline of their periodic comprehensive plan update.

This act 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.

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:

Amendments to Sec. 3 of this proposed engrossed second substitute bill modify the applicability of the mandatory ordinance so that it only applies to all 218 fully planning cities and not the 28 fully planning counties. The amendments in this legislation remain consistent with the increased density in residential zones that allow for middle housing development in the prior bill but removes the requirement for development regulations for middle housing near community core locations. The combination of these amendments would reduce the complexity of the prior mandatory ordinance and may also reduce costs for the impacted cities.

All fully planning jurisdictions would be required to adopt objective administrative design review processes that only allow

for a housing development permit application to be reviewed, approved, or denied by a planning director or the planning director's designee. The provisions of Sec. 5 and Sec. 6 would increase ordinance costs to all fully planning cities and counties.

Section 4 of this act would authorize fully planning cities and counties to adopt an expedited permit program for certain types of middle housing types under 1,801 square feet per unit. This would be a local option for these jurisdictions, and would have no expenditure impact for cities or counties that took no action.

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 expenses that can be estimated at this time, the impact of this bill would be approximately \$4.8 million for the implementation of ordinances for middle housing development regulations and objective administrative design review (see calculations below). These costs would be incurred starting in FY25 to be complete by the middle of FY28. However, it is unknown how many jurisdictions would adopt the ordinances in Sec. 3(3) and Sec. 6(4) after the specified timeline.

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

\$2,395,000 – This planning work would include analysis and new ordinances in at least 127 of the 218 cities that fully plan under the GMA that allow for middle housing in residential zones within existing code. For costs that can be estimated at this time there would be approximately \$2.4 million in new expenses for cities to adopt and implement the provisions of Sec. 3.

Fully planning cities that allow for middle housing within residential zones would be required to adopt new development regulations, zoning regulations, or other official controls into their local code to provide that development regulations for middle housing are not more restrictive than those for detached single family residences. The Association of Washington Cities indicate that this work would impact development regulations that pertain to areas that are already zoned for multifamily, and 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 \$25,000 per city. Additional analysis would likely be required for fully planning cities with a greater number of residential zones allowing middle housing to determine how many zones and in what parts of the cities 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 with the proposed ordinance) 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.

52 cities under 10,000 in population x \$10,000 = \$520,000
75 cities greater than 10,000 in population x \$25,000 = \$1,875,000
127 cities = \$2,395,000

Adoption of the ordinances would be required six months after the due date of the city'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 city adopts the ordinance six months after the due date of their comprehensive plan. It is not currently known how many, or which specific cities would not adopt the ordinance by the date specified by Sec. 3(1).

Cities
FY25: \$1,275,000
FY26: \$545,000
FY27: \$460,000
FY28: \$115,000
Total \$2,395,000

Some jurisdictions may elect not to bring their codes into conformance with the requirements of this legislations prior to the applicable deadline. In these jurisdictions, the provision of Sec. 3(3) would automatically apply and take effect six months after the city's comprehensive plan is due. 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.

IMPACT OF SECTION 4:

Local Option - Sec. 4 would authorize fully planning cities and counties to adopt an expedited permit program for certain types of middle housing under 1,801 square feet per unit. This would be a local option for fully planning jurisdictions, and would have no expenditure impact for cities or counties that took no action.

IMPACT OF SECTION 6:

\$2,356,000 – For expenses that can be estimated at this time, the costs for adopting ordinances for the objective design review into local code of each fully planning city and county may be approximately \$2.4 million over four fiscal years, from FY25 until FY28.

Section 6 of this act requires that six months after a fully planning jurisdiction’s next comprehensive plan update, a city or county may only require an administrative review to determine whether a housing development permit application is in compliance with design standards. The administrative design review must be conducted by the planning director or the planning director's designee based solely on objective design and development standards and without a public meeting or hearing, unless such review is otherwise required by state or federal law, or the structure is a designated landmark or historic district established under a local preservation ordinance. This section impacts all fully planning jurisdictions along the same timeline as the implementation of the ordinance in Sec. 3.

Local Government Note Program Assumptions:

The Local Government Fiscal Program Unit Cost Model estimates that the cost the typical cost per city and county to adopt a complex ordinance with a hearing of the same complexity to be \$9,600 and \$9,400, respectively. These estimates include costs for draft ordinances, advisory commission meeting and recommendation, finalized ordinance, publication of ordinance, and general public information. Assuming these ordinances are complex, with a hearing of the same complexity the following ordinance adoption costs can be estimated:

Amended Local Code for Administrative Design Review:

218 cities x \$9,600 = \$2,092,800

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

Total \$2,356,000

Counties

FY25: \$37,600

FY26: \$94,000

FY27: \$75,200

FY28: \$56,400

Total \$263,200

Cities

FY25: \$787,200

FY26: \$460,800

FY27: \$528,000

FY28: \$316,800

Total \$2,092,800

Combined

FY25: \$824,800

FY26: \$554,800

FY27: \$603,200

FY28: \$373,200

Total \$2,356,000

Some jurisdictions may elect not to bring their codes into conformance with the requirements of this legislations prior to the applicable deadline. 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.

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 engrossed second 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)

Local Government Fiscal Note Program, FN S HB 2066 (2020)

Local Government Fiscal Note Program, FN S HB 1289 (2021)

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

Local Government Fiscal Note Program, FN HB 1293 (2023)

Michigan Municipal League

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)