

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1110 E 2S HB	<b>Title:</b> Middle 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	Fiscal note not available					
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	6.6	2,325,704	2,325,704	2,325,704	5.8	1,694,018	1,694,018	1,694,018	5.8	1,701,218	1,701,218	1,701,218
Office of Financial Management	.0	0	0	0	.0	0	0	0	.0	0	0	0
Environmental and Land Use Hearings Office	.1	40,848	40,848	40,848	.3	70,342	70,342	70,342	.3	70,342	70,342	70,342
<b>Total \$</b>	<b>6.7</b>	<b>2,366,552</b>	<b>2,366,552</b>	<b>2,366,552</b>	<b>6.1</b>	<b>1,764,360</b>	<b>1,764,360</b>	<b>1,764,360</b>	<b>6.1</b>	<b>1,771,560</b>	<b>1,771,560</b>	<b>1,771,560</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Fiscal note not available								
Local Gov. Total									

## 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
Office of Financial Management	.0	0	0	.0	0	0	.0	0	0
Environmental and Land Use Hearings Office	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Fiscal note not available								
Local Gov. Total									

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Gwen Stamey, OFM	<b>Phone:</b> (360) 790-1166	<b>Date Published:</b> Preliminary 3/15/2023
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1110 E 2S HB	<b>Title:</b> Middle housing	<b>Agency:</b> 103-Department of Commerce
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## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	6.6	6.6	6.6	5.8	5.8
<b>Account</b>					
General Fund-State 001-1	1,330,325	995,379	2,325,704	1,694,018	1,701,218
<b>Total \$</b>	1,330,325	995,379	2,325,704	1,694,018	1,701,218

### 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: Melissa Van Gorkom	Phone: 360-786-7491	Date: 03/08/2023
Agency Preparation: Buck Lucas	Phone: 360-725-3180	Date: 03/14/2023
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 03/14/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 03/15/2023

## 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 1110 and 2SHB 1110:

The engrossed second substitute bill would decrease the fiscal impact of the bill to the Department of Commerce (department):

- Section 2 modifies several definitions in the Growth Management Act (GMA), including the removal of the Clean Water Act impaired waterbody watershed critical area definition. The exemption of the bill's requirement to these water bodies is moved to section 3(7) as a more specific exemption rather than a new definition of a critical area.
- Section 3 modifies the density requirements depending on a city's size and proximity to larger cities and imposes new subdivision requirements for residential lots.
- Section 4 establishes an alternative to the density requirements in the bill by allowing cities to implement the density requirements in at least 75% of lots that are primarily dedicated to single-family detached housing if the remaining 25% of lots include certain types of land or meet other conditions.
- Section 5 establishes an alternative to the density requirements in Section 3 for cities with a population of less than 75,000 within a contiguous urban growth area (UGA) with the largest city in a county with a population of more than 275,000.
- Sections 8 and 10 condition the eligibility for implementation extensions due to displacement risk and infrastructure deficiencies on the jurisdiction choosing the new alternative of implementing the density requirements in at least 75% of single-family lots.

Summary of E2SHB 1110:

Section 2 amends RCW 36.70A.030 adding several new housing-related definitions to the GMA.

Section 3(1) establishes new middle housing density requirements under the GMA for cities with a population of at least 25,000 but less than 75,000 that are not within a contiguous UGA with the largest city in a county with a population of more than 275,000 and requirements for cities with a population of at least 75,000 or any city within a contiguous UGA with the largest city in a county with a population of more than 275,000.

Section 3(2) clarifies that affordable housing incentive programs established RCW 36.70A.540 govern in the event of a conflict between the provisions of that program and the requirements of the bill and that nothing in the bill prohibits a city from expanding those programs to include middle housing. This subsection also includes the affordability provisions required for a property to utilize the bonus density.

Sections 3(4) requires a city to allow zero lot line short subdivisions where the number of lots created is equal to the unit density required in the bill and section 3(5) provides a number of new development regulations related to middle housing, including allowing a city to impose a limit of two units on a residential lot of 2,000 square feet or less created through a lot split.

Section 3(6) provides that the parking requirements of the bill do not apply if a local government submits to the department an empirical study that clearly demonstrates, and the department finds and certifies, that the application of the parking requirements for middle housing would be significantly less safe for vehicle drivers or passengers, pedestrians, or bicyclists than if the parking requirements were applied for the same number of detached single family houses; and do not apply to

portions of cities within a one-mile radius of a commercial airport in Washington with at least 9 million annual enplanements. The department is directed to development guidance for items to include in the study.

Section 3(10) provides that cities must comply with the density requirements on the latter of six months after its next periodic comprehensive plan update or twelve months after the office of financial management determinates that the city has reached a triggering population threshold.

Section 3(11) clarifies that, except for specific areas granted an implementation timeline extension, the capital facilities plan element is not required to be updated to accommodate the increased housing and population capacity required by the act until the periodic comprehensive plan update that occurs on or after June 30, 2034.

Section 3(12) provides that any city that adopts development regulations consistent with the density requirements of the bill shall be considered in compliance with RCW 36.70A.070(2)(f) until June 30, 2032 (identifying and implementing policies and regulations to address and begin to undo racially disparate impacts, displacement, and exclusion in housing caused by local land use planning).

Section 4 adds a new section to RCW 36.70A providing an alternative to the density requirements in section 3 by allowing cities to implement the density requirements in at least 75 percent of lots that are primarily dedicated to single-family detached housing if the remaining 25 percent of lots include: any areas within the city for which the department granted an implementation extension due to the risk of displacement or a lack of water, sewer, stormwater, or fire protection service capacity; critical areas or their buffers; any portion of the city within a one-mile radius of a commercial airport with at least nine million annual enplanements; and any areas subject to sea level rise, increased flooding, or geological hazards over the next 100 years. The 25 percent of lots not subject to the density requirements may not include areas: for which the exclusion would further racially disparate impacts or result in zoning with a discriminatory effect; historically covered by a covenant or deed restriction excluding racial minorities from owning property or living in the area; and within one half mile walking distance of a major transit stop, community amenities, higher education institution, or a building, shopping center, or business area containing at least 100,000 square feet of retail space.

Section 5 adds a new section to RCW 36.70A creating an alternative to the density requirements of section 3 for cities with a population of less than 75,000 within a contiguous UGA with the largest city in a county with a population of more than 275,000.

Section 7 adds a new section to RCW 36.70A directing the department to establish a process by which cities may seek approval of alternative local action that are substantially similar to the bill's requirements for e comprehensive plans adopted by January 1, 2023 and development regulations adopted within one year of the bill's effective date. This section establishes the factors that the department must consider in approving substantially similar plans.

Section 8 adds a new section to RCW 36.70A creating a new certification program in which cities apply to the department for an extension in implementing the bill's requirements in areas at risk of displacement as determined by the anti-displacement analysis required to be completed under RCW 36.70A.070(2) (HB 1220 (2022)), so long as the city chooses the alternative density requirement in section 4.

Section 10 (1) and (2) establishes an approval program in which the department may certify an extension to cities to implement the bill due to certain infrastructure deficiencies, so long as the city chooses the alternative density requirement in section 4. The department may grant additional extensions provided the applicant city meets certain criteria.

Section 10(6) requires the department to provide the legislature with a list of projects identified in a city's capital facilities plan that were the basis for an extension, including planning level estimates.

Section 12 amends RCW 43.21C.450 adding the following nonproject actions as a categorical exemption from the requirements of the State Environmental Policy Act (SEPA): Amendments to development regulations to remove

requirements for parking from development proposed to fill in a designated UGA.

Section 13 adds a new section to RCW 36.70A providing that cities taking actions to comply with this act shall be deemed to be in compliance with RCW 36.70A.070(2)(d) until June 20, 2032.

Section 18 adds a new section to RCW 64.90 (Uniform Common Interest Ownership Act) by provided that the department may establish by rule any standards or procedures necessary to implement the act.

Section 19 includes a null and void clause that provides that if specific funding for the purposes of the act is not provided by June 30, 2023 in the omnibus appropriations act, the bill 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.*

### **Agency assumptions:**

The department assumes significant administrative rulemaking for the middle housing model ordinances, certification programs, and other processes as well as ongoing work to monitor, approve, or deny local actions to implement the proposed legislation.

- Development of a middle housing model ordinance by six months after the bill's effective date would require consultant services with expertise in this area. The department assumes that the fiscal impact would be the same as in the second substitute version's fiscal note: 1,250 hours with a billable rate of \$200 per hour, \$250,000 in total cost in FY24.
- The department assumes ongoing monitoring of local housing plans and comprehensive plan updates, including related technical assistance and training statewide with development of new certification processes in section 3 (exemption from parking limitations), section 7 (approval of substantially similar local actions), section 8 (extension for anti-displacement implementation), and section 10 (extension for infrastructure deficiencies).
- The engrossed second substitute's removal of the new critical area definition, and addition of an impaired water body exemption, will remove the fiscal impact associated with the critical area definitional change in the second substitute and related rulemaking.
- The department assumes that the costs associated with the certification processes for the anti-displacement extension and infrastructure deficiency extension would remain the same as in the second substitute, specifically that the condition that eligible cities adopt the alternative density requirements will not add a new fiscal impact.
- The department assumes that the number of jurisdictions that would seek certification of an exemption for the parking restrictions is indeterminate. The department assumes that the requirement to develop guidance to assist cities on items to include in a parking study will likely involve retaining consultant services with expertise in FY24. The fiscal assumption of a professional services contract of \$100,000 (based on 500 hours at \$200 per hour) to develop guidance is unchanged. The department assumes fiscal impacts associated with rulemaking on the development of the certification process, including staff time and assistant attorney general costs, remains unchanged from the second substitute fiscal note.
- The department assumes that the number of jurisdictions that would seek certification of a substantially similar local action by January 1, 2023 (comprehensive plans) and one year after the bill's effective date (development regulations) is

indeterminate and the fiscal assumptions are unchanged from the second substitute.

- The department assumes that the provision in section 18, amending chapter 64.90 RCW to authorize the department to adopt rules necessary to implement the act, will have no new fiscal impact, as the department already assumed significant rulemaking for that purpose.
- The department assumes \$17,010 per fiscal year, FY24-FY25, and \$10,000 in FY26-FY29 in AAG rulemaking review and consultation for rulemaking and general guidance required throughout this bill, including guidelines in sections 3, 7, 8, and 10 based on similar high level GMA guidance and rulemaking review. Ongoing AAG costs of \$10,000 assume the cost of legal services required for potential appeals of department decisions under section.
- Additional significant department IT work will be required to initially upgrade its internal planning data system for tracking submitted materials, FY24-FY25, and ongoing maintenance. The department assumes \$50,000 a year for the first two years for immediate IT upgrades for tracking and new workflow for receiving local amendments, department approval processes, certification and tracking of timeline extensions, and the legal appeals of department decisions, and 0.3 FTE for two IT staff to upgrade and maintain the planning data system to implement new requirements (Sections 3, 7, 8, and 10).
- Grant assumptions: Between 60 and 80 communities will be updating their plans and regulations, and a total of 330 jurisdictions between FY24 and FY28. Previous grants ranged in size, depending on the size of the community, with smaller jurisdictions getting proportionately more due to small internal capacity and substantial technical assistance from the department. The department assumes about 50% of jurisdictions will request grants and technical assistance for middle housing, while the others lack capacity to write the grants. With about 250 jurisdictions to complete updates after this year, and about 120 potentially applying for and getting grants of about \$75,000 each equals \$9 million along with \$2 million in administrative and technical assistance to assist over the subsequent four-year period. The total amount is \$5.5 million for each biennium, or \$4.5 million in grants and \$1 million in technical assistance.

1.3 FTE Commerce Specialist 4 (3,341 hours) in FY24-FY29, ongoing, to serve as the statewide expert in middle housing planning and oversee implementation and management of the new review and certification programs.

2.8 FTE Commerce Specialist 3 (5,846 hours) in FY24-FY29, ongoing, to assist Commerce Specialist 4 in above activities to manage grants, work with local governments on their housing elements and development regulations specifically related to middle housing.

0.5 FTE Management Analyst 4 (1,044 hours) in FY24-FY25, to provide professional and technical advice to management for rulemaking administration and technical support for approval processes and timeline extension programs.

0.2 FTE Administrative Assistant 3 (418 hours) in FY24-FY29, to review documents, records, or applications for completeness, accuracy, and compliance with rules. Composes office correspondence such as requests for documentation and responses to requests for information.

0.5 FTE IT Business Analyst Expert (1,044 hours) in FY24 and FY25, and 0.3 FTE (626 hours) in FY26-FY29, for significant system maintenance and upgrades to the plan review data and program tracking system, including major data system upgrades for new programs and ongoing maintenance and periodic upgrades thereafter.

0.3 FTE IT Application Developer (626 hours) in FY24-FY29, for system maintenance for upgrades to the data and program tracking database.

#### Salaries and Benefits:

FY24: \$667,008

FY25: \$689,594

FY26-FY29: \$592,454 each fiscal year

Professional Services Contract:

Section 3 requires a contract in FY24 to provide professional expertise for guidance to assist cities on items to include in the parking study at 500 hours with a billable rate of \$200 per hour, \$100,000 in total cost in FY24. Section 7 requires a contract in FY24 to provide professional expertise for model ordinance development at 1,250 hours with a billable rate of \$200 per hour, \$250,000 in total cost in FY24.

FY24: \$350,000

Goods and Services:

Includes \$17,010 in FY24-FY25 (81 hours at \$210 per hour each fiscal year) for AAG and legal review of draft administrative rules required by the bill and model ordinance review. Ongoing \$10,080 in FY26-FY29 (48 hours at \$210 per hour each fiscal year) for legal services and ongoing appeals of department decisions under section 7.

FY24: \$70,942

FY25: \$70,980

FY26-FY29: \$57,118 each fiscal year

Travel:

Statewide local technical assistance, 30 days annually, for training and outreach with local governments and half with overnight lodging.

FY24-FY25: \$5,409 each fiscal year

Equipment:

Standard workstations for new team members and a replacement computer on the agency's five-year lifecycle replacement schedule.

FY24: \$17,520

FY25-FY27: \$2,520 each fiscal year

FY28: \$9,720

FY29: \$2,520

Interagency reimbursements:

FY24: \$219,446

FY25: \$226,876

FY26-FY29: \$194,917 each fiscal year

Note: Standard goods and services costs include supplies and materials, employee development and training, Attorney General costs, central services charges and agency administration. 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: \$1,330,325

FY25: \$995,379

FY26-FY27: \$847,009 each fiscal year



FY28: \$854,209

FY29: \$847,009

### 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	1,330,325	995,379	2,325,704	1,694,018	1,701,218
<b>Total \$</b>			1,330,325	995,379	2,325,704	1,694,018	1,701,218

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29	
FTE Staff Years	6.6	6.6	6.6	5.8	5.8	
A-Salaries and Wages	497,371	512,292	1,009,663	878,464	878,464	
B-Employee Benefits	169,637	177,302	346,939	306,444	306,444	
C-Professional Service Contracts	350,000		350,000			
E-Goods and Other Services	70,942	70,980	141,922	114,236	114,236	
G-Travel	5,409	5,409	10,818			
J-Capital Outlays	17,520	2,520	20,040	5,040	12,240	
M-Inter Agency/Fund Transfers						
N-Grants, Benefits & Client Services						
P-Debt Service						
S-Interagency Reimbursements						
T-Intra-Agency Reimbursements	219,446	226,876	446,322	389,834	389,834	
9-						
<b>Total \$</b>		1,330,325	995,379	2,325,704	1,694,018	1,701,218

#### 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 Assistant 3	52,616	0.2	0.2	0.2	0.2	0.2
Administrative Services - Indirect	111,168	1.0	1.0	1.0	0.9	0.9
Commerce Specialist 3	82,056	2.8	2.8	2.8	2.8	2.8
Commerce Specialist 4	86,212	1.3	1.3	1.3	1.3	1.3
IT APP Development - Senior/Specialist	120,457	0.3	0.3	0.3	0.3	0.3
IT Business Analyst - Expert	126,485	0.5	0.5	0.5	0.3	0.3
Management Analyst 4	86,212	0.5	0.5	0.5		
<b>Total FTEs</b>		6.6	6.6	6.6	5.8	5.8

#### 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 bill requires rulemaking activities:

- Sections 1-8, 10, and 13 contain revisions to the GMA that would require updated technical assistance and guidance for cities through rulemaking.
- Section 3 directs the department to develop a process for approval of exemptions to the parking requirements of the bill.
- Section 7 directs the department to develop a process for approval of substantially similar alternative local actions.
- Section 8 directs the department to develop a process for certifying extensions of implementation requirements based on anti-displacement analysis.
- Section 10 directs the department to establish by rule and standards or procedures necessary to implement extension requests based on infrastructure deficiencies.
- Section 18 authorizes the department to establish by rule any standards or procedures necessary to implement the act.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1110 E 2S HB	<b>Title:</b> Middle housing	<b>Agency:</b> 105-Office of Financial Management
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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.

<b>Legislative Contact:</b> Melissa Van Gorkom	<b>Phone:</b> 360-786-7491	<b>Date:</b> 03/08/2023
<b>Agency Preparation:</b> Keith Thunstedt	<b>Phone:</b> 360-810-1271	<b>Date:</b> 03/13/2023
<b>Agency Approval:</b> Jamie Langford	<b>Phone:</b> 360-902-0422	<b>Date:</b> 03/13/2023
<b>OFM Review:</b> Cheri Keller	<b>Phone:</b> (360) 584-2207	<b>Date:</b> 03/13/2023

## 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.*

There were no changes in this engrossed second substitute version that effected OFM's fiscal impact assumptions from the previous version. Section 4 is now section 6.

Engrossed Second Substitute:

Section 3 defines city population thresholds related to the bill are based on OFM population estimates.

Section 6 exempts middle housing units from the threshold of an OFM population projection to a county or a county population allocation to a city.

These actions can be completed within existing staffing and resources. There is no fiscal impact to OFM.

### 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.*

# Individual State Agency Fiscal Note

Revised

<b>Bill Number:</b> 1110 E 2S HB	<b>Title:</b> Middle housing	<b>Agency:</b> 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:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	0.3	0.1	0.3	0.3
<b>Account</b>					
General Fund-State 001-1	0	40,848	40,848	70,342	70,342
<b>Total \$</b>	0	40,848	40,848	70,342	70,342

### 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: Melissa Van Gorkom	Phone: 360-786-7491	Date: 03/08/2023
Agency Preparation: Dominga Soliz	Phone: 3606649173	Date: 03/13/2023
Agency Approval: Dominga Soliz	Phone: 3606649173	Date: 03/13/2023
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 03/14/2023

## 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.*

Revised to include a description. No changes to anticipated impacts from previous version of this bill.

Amendments in this version include:

Section 2. Amends several definitions, including “administrative design review,” “cottage housing,” “courtyard apartments,” “critical areas,” “major transit stop,” and “townhouses.” Removes the definition of “community amenity” and adds a definition of “stacked flat.”

Section 3. Amends this section to allow alternatives to the requirements that certain sized cities develop by ordinance and incorporate into their development regulations, zoning regulations, and other official controls, authorization for specific higher density zoning. (9) Nothing in this section requires a city to issue a building permit if other federal, state, and local requirements for a building permit are not met. (11) Except in certain circumstances, the capital facilities plan element is not required to be updated to accommodate the increased housing and population capacity required by the act until the periodic comprehensive plan update on or after June 30, 2034. (12) Cities that adopt development regulations consistent with Section 3 of this act are considered to be in compliance with RCW 36.70A.070(2)(f) until June 30, 2032.

Section 4. As an alternative to the density requirements in Section 3, a city can implement the density requirements in that section for at least 75% of lots primarily dedicated to single family detached housing. The other 25% that are not implemented must include certain characteristics, such as risk of displacement, lack of infrastructure capacity, racially disparate impacts or discriminatory effect, critical areas or buffers exempt from density requirements, etc.

Section 5. Allows 3 alternatives to the density requirements under the act. The alternatives allow the city to authorize development of a prescribed number of units on lots zoned primarily for residential use in various circumstances.

Section 8. Cities choosing the alternative density requirements may request an extension from the Department of Commerce for areas at risk of displacement.

Section 9. Changes the standard of the Department of Commerce in approving or rejecting actions by a city implementing Section 3 of the act. The standard is changed from “erroneous” to “clearly erroneous.”

Section 10. Cities choosing the alternative density requirements may request an extension from the Department of Commerce of the timeline for implementation. Prohibits building permits for housing under Sections 3 or 4 without compliance with adequate water supply requirements of RCW 19.27.097.

Section 12. Amends the categorical exemptions for nonproject actions from SEPA to include amendments to development regulations to align with comprehensive plans or shoreline master programs that were previously subject to environmental review, development regulations that provide increased environmental protection, and amendments to technical codes that align with building, energy, and electrical code minimum standards.

### 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.*

None

### 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.

No changes to anticipated impacts from previous versions of this bill.

Fiscal Impact to GMHB: Yes

ELUHO estimates 6 GMHB petitions per year resulting from this bill. We assume that cities may challenge the approval or rejection of the Department of Commerce.

ELUHO assumes ELUHO’s work on these appeals begins in FY 25, following the planning other work needed by cities and counties in order to implement.

ELUHO estimates each appeal resulting from this bill will require approximately 60 hours of Hearing Examiner work to complete.

60 hours/appeal x 6 appeals = 360 Hearing Examiner hours per FY, ongoing.

Assume new Hearing Examiner FTE: The GMHB will need approximately 0.25 FTE for a Hearing Examiner with demonstrated knowledge in land use planning and law to assist with the new petitions. RCW 43.21B.005(2) authorizes the ELUHO director to appoint such Hearing Examiners to assist the GMHB. The Hearing Examiner FTE will not serve as a member of the Board, but will assist the board in its hearing function, make conclusions of law and findings of fact, and perform other legal duties to assist the Board.

A Hearing Examiner makes \$100,000 per year, plus related benefits estimated at \$32,021 per year, at current benefits rates. The agency needs a 0.25 FTE Hearing Examiner, so the salary would be \$100,000 x 0.25 FTE = \$25,000, per FY, ongoing. Related benefits would total \$8,005, per FY, ongoing.

Goods and services are estimated at \$1,817 per year, ongoing, and include communications, payroll processing, training, and other staff costs. Estimates include some travel at the low cost per diem rates totaling \$349 per year, ongoing. Also included is one time equipment costs for furniture and computers totaling \$5,557 in fiscal year 2025 (FY25).

Assume no capital budget impact: Currently, ELUHO leases space on the top floor of the State Parks building, Parsons Plaza. We assume we can repurpose space to include the FTE if they have a workstation at the ELUHO office. We assume the 0.25 Hearing Examiner FTE would be offered the option of working remotely.

### 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	0	40,848	40,848	70,342	70,342
<b>Total \$</b>			0	40,848	40,848	70,342	70,342



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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.3	0.1	0.3	0.3
A-Salaries and Wages		25,000	25,000	50,000	50,000
B-Employee Benefits		8,005	8,005	16,010	16,010
C-Professional Service Contracts					
E-Goods and Other Services		1,937	1,937	3,634	3,634
G-Travel		349	349	698	698
J-Capital Outlays		5,557	5,557		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	0	40,848	40,848	70,342	70,342

**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
Hearing Examiner	100,000		0.3	0.1	0.3	0.3
<b>Total FTEs</b>			0.3	0.1	0.3	0.3

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

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

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

NONE

**IV. C - Capital Budget Breakout**

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

NONE

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

NONE

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.*