

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5258 2S SB	<b>Title:</b> Condos and townhouses
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## Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Office of State Treasurer	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Revenue	(1,370,000)	(1,610,000)	0	(2,140,000)	(2,520,000)	0	(4,320,000)	(5,090,000)	0
<b>Total \$</b>	<b>(1,370,000)</b>	<b>(1,610,000)</b>	<b>0</b>	<b>(2,140,000)</b>	<b>(2,520,000)</b>	<b>0</b>	<b>(4,320,000)</b>	<b>(5,090,000)</b>	<b>0</b>

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 State Treasurer	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Revenue	3.1	727,400	727,400	727,400	2.1	403,500	403,500	403,500	1.4	271,800	271,800	271,800
Department of Enterprise Services	.0	0	0	0	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>3.1</b>	<b>727,400</b>	<b>727,400</b>	<b>727,400</b>	<b>2.1</b>	<b>403,500</b>	<b>403,500</b>	<b>403,500</b>	<b>1.4</b>	<b>271,800</b>	<b>271,800</b>	<b>271,800</b>

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

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Enterprise Services	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

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

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Cheri Keller, OFM	<b>Phone:</b> (360) 584-2207	<b>Date Published:</b> Final 4/ 3/2023
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5258 2S SB	<b>Title:</b> Condos and townhouses	<b>Agency:</b> 090-Office of State Treasurer
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## Part I: Estimates

No Fiscal Impact

**Estimated Cash Receipts to:**

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

**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: Alia Kennedy	Phone: 360-786-7405	Date: 03/22/2023
Agency Preparation: Dan Mason	Phone: (360) 902-8990	Date: 03/23/2023
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 03/23/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 03/24/2023

## 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.*

2SSB 5258 creates the down payment assistance account, coupled with the general fund as the recipient of the earnings from investments under RCW 43.79A.040(4).

### 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.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5258 2S SB	<b>Title:</b> Condos and townhouses	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 57 - Real Estate Excise	(560,000)	(810,000)	(1,370,000)	(2,140,000)	(4,320,000)
Public Works Assistance Account-State 01 - Taxes 57 - Real Estate Excise	(40,000)	(50,000)	(90,000)	(140,000)	(290,000)
Education Legacy Trust Account-State 01 - Taxes 57 - Real Estate Excise	(100,000)	(140,000)	(240,000)	(380,000)	(770,000)
City County Assistance Account-State 01 - Taxes 57 - Real Estate Excise	(10,000)	(10,000)	(20,000)	(40,000)	(80,000)
NEW-State 01 - Taxes 57 - Real Estate Excise	710,000	1,010,000	1,720,000	2,700,000	5,460,000
<b>Total \$</b>					

### Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	3.4	2.7	3.1	2.1	1.4
GF-STATE-State 001-1	459,800	267,600	727,400	403,500	271,800
<b>Total \$</b>	459,800	267,600	727,400	403,500	271,800

### 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: Alia Kennedy	Phone: 60-786-7405	Date: 03/22/2023
Agency Preparation: Beth Leech	Phone: 60-534-1513	Date: 03/29/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 03/29/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/29/2023

Request # 5258-4-1

## 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.*

Note: This fiscal note reflects language in 2SSB 5258, 2023 Legislative Session.

This fiscal note only addresses sections 9 through 13 of the bill, which impact the Department of Revenue (department).

#### COMPARISION OF SECOND SUBSTITUTE BILL WITH SUBSTITUTE BILL:

The second substitute bill requires the department to annually determine the total amount of state real estate excise tax (REET) received from the sale of a condominium or townhouse to a person using a down payment assistance program offered by the Housing Finance Commission and notify the state treasurer to ensure proper accounting of the funds deposited in the newly created down payment assistance account.

It also provides an expiration date of January 1, 2034, for the exemption of the sale of condominium or townhouse and the deposit and determination activities above.

#### CURRENT LAW:

REET applies to the sale or transfer of real property unless the transaction qualifies for a specific tax exemption.

#### PROPOSAL:

This bill exempts the sale of a condominium or townhouse constructed in buildings qualifying for the new and rehabilitated multifamily housing in urban centers property tax exemption (Chapter 84.14 RCW).

Townhouse means a dwelling unit constructed in a row of two or more attached units where each dwelling unit shares at least one common wall with an adjacent unit and has a separate outdoor entrance.

This bill also requires the deposit of the state REET amounts received from the sale of a condominium or townhouse to a person using a down payment assistance program offered by the Housing Finance Commission into the down payment assistance account created by this bill.

The department must annually determine the state REET amounts received from the sale of a condominium or townhouse to a person using a down payment assistance program offered by the Housing Finance Commission by June 1st and notify the state treasurer by June 15th to ensure a proper accounting of the funds deposited into the down payment assistance account.

The transfer of state REET amounts received from the sale of a condominium or townhouse to a person using a down payment assistance program offered by the Housing Finance Commission expires January 1, 2034.

This bill also requires changes to the local ordinances that impose impact fees (Section 13).

#### EFFECTIVE DATE:

The REET exemption (section 9 and 10) takes effect on January 1, 2024, and expires January 1, 2034.

The depositing of state REET for down payment assistance and the changes to local ordinances (Sections 11 through 13) take effect 90 days after final adjournment of the session.

## 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.*

### ASSUMPTIONS:

- The purchase price of qualified condominium averages \$434,000 through December 31, 2026, and \$612,000 thereafter.
- All of the qualified condominiums will fall under the first and second graduated REET tiers with a state rate of 1.10% and 1.28%.
- Growth mirrors the growth of REET in the Economic and Revenue Forecast Council's November 2022 forecast.
- Property sales price growth mirrors the 5-year compound annual growth for existing property values by county.
- All counties will be able to make the transfer of funds into the down payment assistance account by July 21, 2023 (90 days after final adjournment of the session).
- The exempt sale of a condominium or townhouse in buildings qualifying for the property tax exemption purchased by a buyer taking part in the down payment assistance program results in no state REET transfer to the down payment assistance account.
- The deposit of funds into the down payment assistance account impacts 10 months of collections in fiscal year 2024.

### DATA SOURCES:

- Department Integrated Property Tax Models
- Economic and Revenue Forecast Council November 2022 forecast
- Washington State Housing Finance Commission
- National Association of Realtors

### REVENUE ESTIMATES:

The revenue impact of the REET exemption for the sale of a condominium or townhouse constructed in a building qualifying for the new and rehabilitated multifamily housing in urban centers property tax exemption is indeterminate. Local jurisdictions approve this property tax exemption and the approved properties are unknown to the department.

The rest of the bill has a net zero impact on state revenues.

The bill decreases the general fund revenues from REET by \$710,000 in the 10 months of impacted collections in fiscal year 2024, and by \$1.0 million in fiscal year 2025, the first full year of impacted collections and increases the down payment assistance account revenues by \$710,000 in the 10 months of impacted collections in fiscal year 2024, and by \$1.0 million in fiscal year 2025, the first full year of impacted collections.

### TOTAL REVENUE IMPACT:

#### State Government (cash basis, \$000):

FY 2024 -	\$ 0
FY 2025 -	\$ 0
FY 2026 -	\$ 0
FY 2027 -	\$ 0
FY 2028 -	\$ 0
FY 2029 -	\$ 0

Local Government, if applicable (cash basis, \$000): 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.*

### ASSUMPTIONS:

- This proposal affects around 600 buyers of condos and townhouses using the Washington Housing Finance Commission down payment program annually.
- The WA Housing Finance Commission will provide the department with data to help identify sales of condos and townhouses sold to persons using the down payment assistance program offered by the Commission.

### FIRST YEAR COSTS:

The department will incur total costs of \$459,800 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 3.4 FTEs.

- Create special notice and update relevant information on the department’s website.
- Create new letters and update affidavits for validating the exemption.
- Provide training, policy support, and education to the counties for the addition of the new exemption.
- Implementation meetings, documentation, and testing of system changes.
- Set up, program, and test computer system changes, including new exemption and line codes.
- Outreach to county treasurers in response to fund distribution.
  - Respond to data requests and questions, compile statistics, create and maintain tax system models, manage data, and calculate the transferrable amount.
- Sort, scan, and key paper affidavits into categories for use to reconcile REET funding.

Object Costs - \$76,600.

- Computer system changes, including contract programming.
- Computer software licensing and training for managing data.

### SECOND YEAR COSTS:

The department will incur total costs of \$267,600 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 2.7 FTEs.

- Continued support to county treasurers in response to fund distribution.
- Assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
  - Respond to data requests and questions, compile statistics, create and maintain tax system models, manage data, and calculate the transferrable amount.
- Sort, scan, and key paper affidavits into categories for use to reconcile REET funding.

Object Costs - \$4,000.

- Computer software licensing and training for managing and calculating data.

### ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$403,500 and include similar activities described in the second-year costs. Time and effort equate to 2.05 FTEs.

## Part III: Expenditure Detail

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	3.4	2.7	3.1	2.1	1.4
A-Salaries and Wages	230,100	169,800	399,900	257,500	175,400
B-Employee Benefits	76,000	56,000	132,000	84,900	57,800
C-Professional Service Contracts	70,400		70,400		
E-Goods and Other Services	52,900	28,900	81,800	43,900	30,000
G-Travel	4,600	4,600	9,200	4,600	
J-Capital Outlays	25,800	8,300	34,100	12,600	8,600
<b>Total \$</b>	<b>\$459,800</b>	<b>\$267,600</b>	<b>\$727,400</b>	<b>\$403,500</b>	<b>\$271,800</b>

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EXCISE TAX EX 1	44,808	0.3	0.3	0.3	0.3	0.3
EXCISE TAX EX 2	55,872	0.5	0.5	0.5	0.5	0.5
EXCISE TAX EX 3	61,632	1.2	1.2	1.2	0.7	0.2
EXCISE TAX EX 4	68,076	0.3	0.3	0.3	0.2	
IT SYS ADM-JOURNEY	92,844	0.1		0.1		
TAX POLICY SP 3	85,020	1.0	0.4	0.7	0.4	0.4
<b>Total FTEs</b>		<b>3.4</b>	<b>2.7</b>	<b>3.1</b>	<b>2.1</b>	<b>1.4</b>

### III. C - 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

## Part V: New Rule Making Required

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5258 2S SB	<b>Title:</b> Condos and townhouses	<b>Agency:</b> 179-Department of Enterprise Services
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

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:

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- 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: Alia Kennedy	Phone: 360-786-7405	Date: 03/22/2023
Agency Preparation: Michael Diaz	Phone: (360) 407-8131	Date: 03/27/2023
Agency Approval: Ashley Howard	Phone: (360) 407-8159	Date: 03/27/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/27/2023

## 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.*

The original version of this legislation added a new section to RCW 19.27, which impacted the State Building Code Council (SBCC). All references to this RCW have been removed from this substitute version. Therefore, there is no fiscal impact to the Department of Enterprise Services (DES).

### 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:** 5258 2S SB

**Title:** Condos and townhouses

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

### Legislation Impacts:

- Cities: Indeterminate impacts
- Counties: Same as above
- Special Districts: Same as above
- Specific jurisdictions only:
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs: Costs to amend codes
- Legislation provides local option: Jurisdictions may reduce building code and energy standards to make projects more affordable.
- Key variables cannot be estimated with certainty at this time: Number of cities with "housing type" based impact fees, Number of jurisdictions where subdivision and code changes would be required.

### Estimated revenue impacts to:

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

### Estimated expenditure impacts to:

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

## Part III: Preparation and Approval

Fiscal Note Analyst: Allan Johnson	Phone: 360-725-5033	Date: 04/03/2023
Leg. Committee Contact: Alia Kennedy	Phone: 360-786-7405	Date: 03/22/2023
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 04/03/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 04/03/2023

## **Part IV: Analysis**

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

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

This analysis compares 2SSB 5258 with SSB 5258.

#### **CHANGES FROM PREVIOUS BILL VERSION:**

Multiple changes were made between the original bill version and the first substitute. The changes that impact local governments are:

- Removes language exempting sales of condominiums and townhouses to persons using a down payment assistance program offered by the Washington State Housing Finance Commission from the definition of sale for purposes of the real estate excise tax and requiring that in such instances, the tax be paid by the seller and then remitted by the state to the Washington State Housing Finance Commission as payment against the person's down payment assistance amount.
- Requires all revenue collected on sales of condominiums or townhouses to a person using a down payment assistance program offered by the Washington State Housing Finance Commission, that would otherwise be deposited to the state general fund, be deposited into the Down Payment Assistance Account.
- Specifies that changes to the impact fee schedule take effect six months after the next periodic comprehensive plan update adopted by a city or county.
- Expires the real estate excise tax exemption on sales of condominiums and townhouses in buildings that qualify for the Multifamily Property Tax Exemption Program and the redirection of revenue from the general fund to the Down Payment Assistance Account on January 1, 2034.

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

This legislation contains multiple provisions that pertain to construction defect claims and warranties for condominium construction that would not result in impacts to local governments. The provisions that would apply to local governments include:

The sale of a condominium or townhouse that is constructed in a building qualifying for the multifamily property tax exemption, is exempt from the real estate excise tax.

The down payment assistance account is created. Moneys in the account may only be used for payment toward a person's down payment assistance loan offered by the Washington State Housing Finance Commission.

All revenue collected on sales of condominiums or townhouses to a person using a down payment assistance program offered by the Washington State Housing Finance Commission, that would otherwise be deposited to the state general fund, must be deposited into the Down Payment Assistance Account.

The Department of Revenue (DOR) must annually determine the total amount of real estate excise tax revenue from sales of condominiums or townhouses to persons using a down payment assistance program offered by the Washington State Housing Finance Commission and notify the state treasurer of such amount for accounting purposes.

The real estate excise tax exemption, Down Payment Assistance Account, and revenue transfers from the general fund to the Down Payment Assistance Account expire January 1, 2034.

Impact fee schedules shall reflect the proportionate impact of new housing units, including multifamily and condominium units, based on the square footage and number of bedrooms, or trips generated, in the housing unit, to produce a proportionally lower impact fee for smaller housing units. Any changes to the impact fee schedule take effect six months after the next periodic comprehensive plan update adopted by a city or county.

All cities, towns, and counties shall include in their short plat regulations procedures for unit lot subdivisions allowing division of a parent lot into separately owned unit lots.

## **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 PREVIOUS BILL VERSION:**

Changes made would not change the prior analysis of expenditure impacts.

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

This legislation would have an indeterminate impact on cities and counties planning under the Growth Management Act (GMA) to incorporate new impact fee schedules. Additional indeterminate costs to all cities and counties would be associated changes to subdivision ordinances and other code changes. Optional changes to building and energy codes may result in indeterminate costs in jurisdictions which elect to take action, but as this is a local option there is no impact to local governments for these provisions.

### **IMPACT FEE EXPENDITURES:**

Indeterminate – Jurisdictions planning under GMA that currently have impact fees based on “housing type” (such as those that have different fee rates for detached single family units and multi-family units) would be required to undertake reconfiguration of their schedule of some combination of transportation, park, school, and fire protection impact fees. Each jurisdiction planning under the Growth Management Act is authorized to impose these impact fees to help pay for new or expanded public capital facilities, however, not all jurisdictions impose impact fees to pay for expanded services of all these public facilities.

This work may require studies estimated at \$7,000 - \$10,000 per jurisdiction, per impact fee. The costs per jurisdiction are indeterminate, as the number of jurisdictions with “housing type” impact fees is not known and the extent of changes to fee schedules cannot be predicted in advance.

Analysis of the Association of Washington Cities (AWC) 2023 Tax and User Fee Survey indicates that the majority of cities based their impact fees on “housing type” related to the style of dwelling or the number of units. There were seven of the 44 cities that based impact fees on square footage of the unit. Only four cities out of 44 that reported using impact fees, based these fees on the number of bedrooms. If the impact fee schedule methodology for jurisdictions statewide follows similar patterns to the AWC Tax and User Fee Survey, it could indicate that a majority of cities and counties would need to amend existing impact fee schedules.

### **SUBDIVISION ORDINANCE AND CODE CHANGE EXPENDITURES:**

Indeterminate - All cities and counties would be required to adopt changes to their short plat regulations to allow condominium style developments of parent lots. For the purposes of this analysis, it is assumed that no changes to the density of units per acre are required by these provisions.

It is anticipated that those jurisdictions which do not currently allow such development, that adoption of a complex ordinance with hearing will be required. The Local Government Fiscal Note Program estimates that each jurisdiction undertaking this action will incur costs of \$9,600 although costs could reach \$17,200 per jurisdiction based upon assessment of grants provided by the Department of Commerce to support middle housing ordinances and Housing Action Plans through HB 1921 (2019).

The extent of these changes will depend upon existing subdivision and short plat regulations that allow condominium and townhouse style development. For instance, the Washington State Association of Counties estimate that the majority of counties already have provisions in their codes for unit lot subdivisions as described in this bill.

The number of jurisdictions undertaking this action is not known and thus these expenditure impacts are indeterminate. It is possible that jurisdictions amending codes to allow condominiums and townhouses within traditional single family areas may need to amend comprehensive plan elements and zoning maps as well as conduct transportation, environmental impact and infrastructure evaluations. The scope and scale of these indeterminate cost would vary based on the impacted



jurisdiction, as well as the number of affected residential lots that allow for condominiums and townhouses. These costs cannot be determined in advance.

#### Amendments to Zoning Maps and/or Documents.

According to AWC, the costs for cities to adopt new zoning maps may start at \$5,000 per jurisdiction and would include changes to printed documents and digitally accessible maps.

#### Amendments to City Housing Plan Elements

Amending comprehensive plan housing elements may have costs ranging from approximately \$16,200 to \$32,500 for cities planning under the GMA. These figures assume the scope and scale of the amended elements is minor. Some impacted cities may have housing elements that already incorporate condominiums and townhouses and therefore will not incur expenditures while other jurisdictions may need to make changes incorporate these types of development.

Because the density of planned land use categories is assumed to remain constant, the need for broader changes to comprehensive plans, ordinances, environmental analysis and capital facility plans will likely be mitigated.

ASSUMPTIONS: For the purposes of this analysis, it is assumed that no changes to the density of units per acre are required by these provisions.

### **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 PREVIOUS BILL VERSION:

There is no change to the revenue impacts from the previous bill version.

#### SUMMARY OF CURRENT BILL VERSION:

This legislation would result in an indeterminate fiscal impact to local jurisdictions.

#### IMPACT FEE REVENUE:

Jurisdictions would experience an indeterminate change in impact fee revenue. This legislation would adjust the way that impact fees are calculated for residential units by an indeterminate number of jurisdictions. This change would switch the calculation of impact fees from "housing type" based to "proportionate impact" based on the unit size, bedroom count or trip generation.

It is possible that the number of units that are subject to fees could increase if this legislation results in additional development within a community charging impact fees. However, the amount of revenue collected would likely remain similar unless the scale of capital facility improvements must be increased in response to the added residential capacity. These impacts will vary by jurisdiction and cannot be determined with certainty in advance. Therefore, these revenue impacts are indeterminate.

#### SOURCES

Association of Washington State Cities (AWC)  
Association of Washington Cities' Tax and User Fee Survey (2023)  
Department of Commerce  
Department of Revenue fiscal note, SSB 5258 (2023)  
Local Government Fiscal Note Program, FN HB 1337 (2023)  
Municipal Research and Services Center, Impact Fees  
Washington State Association of Counties (WSAC)