

Multiple Agency Fiscal Note Summary

Bill Number: 5258 E 2S SB	Title: 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	(920,000)	(920,000)	0	(2,030,000)	(2,030,000)	0	(3,690,000)	(3,690,000)	0
Total \$	(920,000)	(920,000)	0	(2,030,000)	(2,030,000)	0	(3,690,000)	(3,690,000)	0

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	2.9	672,000	672,000	672,000	2.0	376,800	376,800	376,800	1.4	271,800	271,800	271,800
Department of Enterprise Services	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	2.9	672,000	672,000	672,000	2.0	376,800	376,800	376,800	1.4	271,800	271,800	271,800

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
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

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final 4/12/2023
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Individual State Agency Fiscal Note

Bill Number: 5258 E 2S SB	Title: Condos and townhouses	Agency: 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: Ryan Giannini	Phone: 3607867285	Date: 04/04/2023
Agency Preparation: Dan Mason	Phone: (360) 902-8990	Date: 04/04/2023
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 04/04/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 04/04/2023

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.

E2SSB 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.

Projected cash flows are currently unavailable; therefore, estimated earnings from investments are indeterminable.

There may be an impact on the debt service limitation calculation. Changes to the earnings credited to the general fund impacts, by an equal amount, general state revenues.

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

Bill Number: 5258 E 2S SB	Title: Condos and townhouses	Agency: 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		(920,000)	(920,000)	(2,030,000)	(3,690,000)
NEW-State 01 - Taxes 57 - Real Estate Excise		920,000	920,000	2,030,000	3,690,000
Total \$					

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	3.2	2.5	2.9	2.0	1.4
GF-STATE-State 001-1	431,100	240,900	672,000	376,800	271,800
Total \$	431,100	240,900	672,000	376,800	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: Ryan Giannini	Phone: 607-867-285	Date: 04/04/2023
Agency Preparation: Beth Leech	Phone: 60-534-1513	Date: 04/06/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 04/06/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 04/07/2023

Request # 5258-5-1

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 E2SSB 5258, 2023 Legislative Session.

This fiscal note only addresses sections 9 through 12 of the bill, which impact the Department of Revenue (department).

COMPARISION OF ENGROSSED SECOND SUBSTITUTE BILL WITH SECOND SUBSTITUTE BILL:

This engrossed second substitute bill requires the department to annually determine, beginning June 15, 2024, 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 (HFC) in the previous calendar year and notify the Economic and Revenue Forecast Council (ERFC). Beginning in fiscal year 2025, and then each fiscal year, the legislature must appropriate this amount from the general fund to the newly created down payment assistance account.

This version also requires the HFC to provide the department with the necessary information for each sale of a condominium or townhouse to a person using a down payment assistance program by March 1, 2024, and then each March 1.

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 creates the down payment assistance account. Collections from REET on sales of condominiums or townhouses to persons using a downpayment assistance program offered by the HFC must be deposited in this account. These collections can only be used for payment toward a person's down payment assistance loan that was used to purchase a condominium or townhouse for which the tax was collected. Only the HFC may authorize expenditures from this account.

Beginning June 15, 2024, the department must annually determine the total amount of state REET received from the sale of a condominium or townhouse to a person using a down payment assistance program offered by the HFC in the previous calendar year and notify the ERFC of that amount. Beginning in fiscal year 2025, and then each fiscal year, the legislature must appropriate this amount from the general fund to the newly created down payment assistance account.

The HFC must provide the department with the following information for each sale of a condominium or townhouse to a person using a down payment assistance program by March 1, 2024, and then by each March 1:

- The REET affidavit number
- The date of sale
- The parcel number
- The street address
- The county in which the property sold is located
- The full legal name of the seller(s) and buyer(s)
- Any additional information the department may require

The legislative appropriation from the general fund to the down payment assistance account expires January 1, 2034.

This bill also requires changes to the local ordinances imposing impact fees (Section 12).

EFFECTIVE DATE:

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

The appropriation to the down payment assistance account and the changes to local ordinances (Sections 11 and 12) 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.
- 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 legislature appropriates the collections determined for calendar year 2023 from the general fund to the the down payment assistance account in fiscal year 2025 and this pattern continues each fiscal year until January 1, 2034.

DATA SOURCES:

- Department of Revenue, Integrated Property Tax Models
- Economic and Revenue Forecast Council November 2022 forecast
- 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 \$920,000 in fiscal year 2025, and by \$970,000 in fiscal year 2026 and increases the down payment assistance account revenues by \$920,000 in fiscal year 2025, and by \$970,000 in fiscal year 2026.

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 Housing Finance Commission down payment program annually.

FIRST YEAR COSTS:

The department will incur total costs of \$431,100 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 3.2 FTEs.

- Create special notice and update relevant information on the department’s website.
- Create new letters and update affidavits for validating the exemption.
- Implementation meetings, documentation, and testing of system changes.
- Set up, program, and test computer system changes, including new exemption and line codes.
 - 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 \$240,900 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 2.5 FTEs.

- 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 \$376,800 and include similar activities described in the second-year costs. Time and effort equate to 1.95 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	3.2	2.5	2.9	2.0	1.4
A-Salaries and Wages	212,700	152,400	365,100	240,100	175,400
B-Employee Benefits	70,200	50,200	120,400	79,100	57,800
C-Professional Service Contracts	70,400		70,400		
E-Goods and Other Services	49,800	26,700	76,500	41,700	30,000
G-Travel	3,900	3,900	7,800	3,900	
J-Capital Outlays	24,100	7,700	31,800	12,000	8,600
Total \$	\$431,100	\$240,900	\$672,000	\$376,800	\$271,800

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	0.6	0.6	0.6	0.5	0.3
EXCISE TAX EX 2	55,872	0.5	0.5	0.5	0.5	0.5
EXCISE TAX EX 3	61,632	0.7	0.7	0.7	0.5	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
Total FTEs		3.2	2.5	2.9	2.0	1.4

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

Bill Number: 5258 E 2S SB	Title: Condos and townhouses	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:

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: Ryan Giannini	Phone: 3607867285	Date: 04/04/2023
Agency Preparation: Michael Diaz	Phone: (360) 407-8131	Date: 04/05/2023
Agency Approval: Ashley Howard	Phone: (360) 407-8159	Date: 04/05/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 04/05/2023

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 E 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: 04/11/2023
Leg. Committee Contact: Ryan Giannini	Phone: 3607867285	Date: 04/04/2023
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 04/11/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 04/11/2023

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)