

Multiple Agency Fiscal Note Summary

Bill Number: 5290 2S SB AMH APP H1869.1	Title: Local permit review
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Estimated Cash Receipts

NONE

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

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Commerce	3.0	1,305,361	1,305,361	1,305,361	2.4	701,130	701,130	701,130	2.4	703,530	703,530	703,530
Department of Commerce	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.											
Environmental and Land Use Hearings Office	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	3.0	1,305,361	1,305,361	1,305,361	2.4	701,130	701,130	701,130	2.4	703,530	703,530	703,530

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other			7,684,300			1,085,000			1,085,000
Local Gov. Other	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.								
Local Gov. Total			7,684,300			1,085,000			1,085,000

Estimated Capital Budget Expenditures

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

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

Estimated Capital Budget Breakout

NONE

Prepared by: Gwen Stamey, OFM	Phone: (360) 790-1166	Date Published: Final 5/ 5/2023
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Individual State Agency Fiscal Note

Bill Number: 5290 2S SB AMH APP H1869.1	Title: Local permit review	Agency: 103-Department of Commerce
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	3.5	2.4	3.0	2.4	2.4
Account					
General Fund-State 001-1	954,796	350,565	1,305,361	701,130	703,530
Total \$	954,796	350,565	1,305,361	701,130	703,530

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

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

Legislative Contact: Jackie Wheeler	Phone: 360-786-7125	Date: 04/06/2023
Agency Preparation: Buck Lucas	Phone: 360-725-3180	Date: 04/12/2023
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 04/12/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 05/05/2023

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.

Differences between the second substitute and the striker (5290-S2 AMH APP H1869.1):

The striker adds a requirement in Section 12 for the Department of Commerce (department) to develop a plan to provide local governments with appropriately trained staff to provide temporary support or hard to find expertise for timely processing of residential housing permit applications. The plan shall include consideration of how local governments can be provided with staff that have experience with providing substitute staff support or that possess expertise in permitting policies and regulations in the local government's geographic area or with jurisdictions of the local government's size or population. The plan and a proposal for implementation shall be presented to the legislature by December 1, 2023.

- Sections 1 and 2 make minor text revisions.
- Section 3 provides that the department may only issue a grant to update permit review processes from paper filing system to software systems for cities that allow for the development of at least two units per lot on all lots zoned predominately for residential use.
- Section 6 restores the 28-day deadline for a local government to provide a written determination of completeness on a project permit application and amends the date calculation criteria by counting every calendar day.
- Section 7 extends the default project permit processing time periods for permits that do not require public notice from 70 days to 65 days; for a permit which requires public notice from 70 days to 100 days; and for a permit which requires both public notice and a public hearing from 120 days to 170 days. Section 7 also establishes a calendar day calculation framework and amends the time period calculation criteria, including allowing the time period to start over when there are certain project changes.
- Section 7 increases the permit review period that can be provided for in an ordinance or resolution implementing permit processing timelines while maintaining an exemption from appeal for the ordinance or resolution from 120 days to 170 days. Section 7 specifies that the initial report to the department must be submitted by March 1, 2025 and must include relevant information from the 2024 calendar year.
- Section 8 provides that a local government that is exempt from the permit refund requirements may again become subject to the refund if it is not meeting permitting deadlines at least half of the time and does not adopt new permit project review provisions at the time of its next comprehensive plan update.
- Section 9 adds a new section to 36.70b that requires the department to develop and provide technical assistance and guidance to counties and cities in setting fee structures under RCW 36.70B.160(1) to ensure that the fees are reasonable and sufficient to recover true costs. The guidance must include information on how to utilize growth factors or other measures to reflect cost increases over time. This is primarily a formatting change from SSB 5290, moving it into a standalone section and adjusting the terminology.
- Section 10 amends RCW 36.70B.110, which makes minor adjustments to the local government permitting requirements with notice requirements under the State Environmental Policy Act.
- Section 11 is added, requiring the department develop a template to be utilized by counties and cities for data reporting under the amended version of 36.70B.080.
- Section 12 is added, requiring the department to develop a plan to provide local governments with appropriately trained

staff to provide temporary support or hard to find expertise for timely processing of residential housing permit applications. The plan shall include consideration of how local governments can be provided with staff that have experience with providing substitute staff support or that possess expertise in permitting policies and regulations in the local government's geographic area or with jurisdictions of the local government's size or population. The plan and a proposal for implementation shall be presented to the legislature by December 1, 2023.

The additional elements added by the striking amendment would increase the department's expected costs in FY24 to implement Section 12.

Summary of 5290 2SSB AMH APP H1869.1:

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

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

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

Section 4 adds a new section to RCW 36.70B requiring, subject to appropriated funds, the department to convene a digital permitting process work group to examine potential license and permitting software for local governments. The department must appoint members to the work group, in consultation with the Association of Washington Cities (AWC) and the Washington State Association of Counties (WSAC). The department must convene the first meeting of the work group by August 1, 2023. A final report must be submitted to the governor and legislature by August 1, 2024. The section outlines the report contents and requirements.

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

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

Section 8 amends RCW 36.70B.160 encouraging local governments to adopt a number of provisions to expedite review of project permit applications for projects consistent with adopted development regulations. The section outlines these additional, recommended elements in detail.

Section 9 adds a new section to RCW 36.70B requiring the department to develop and provide technical assistance and guidance to counties and cities in setting fee structures under RCW 36.70B.160(1) to ensure that the fees are reasonable

and sufficient to recover true costs. The guidance must include information on how to utilize growth factors or other measures to reflect cost increases over time. The department must prioritize technical assistance for local governments that have implemented at least three of the options in this section. This is primarily a formatting change from SSB 5290, moving it into a standalone section and adjusting the terminology.

Section 10 amends RCW 36.70B.110 making adjustments to the integration of local government permitting requirements with the notice requirements under the State Environmental Policy Act. The department does not anticipate a fiscal impact to our program based on this addition.

Section 11 is added, requiring the department to develop a template to be utilized by counties and cities for data reporting under the amended version of RCW 36.70B.080.

Section 12 is added, requiring the department to develop a plan to provide local governments with appropriately trained staff to provide temporary support or hard to find expertise for timely processing of residential housing permit applications. The plan shall include consideration of how local governments can be provided with staff that have experience with providing substitute staff support or that possess expertise in permitting policies and regulations in the local government's geographic area or with jurisdictions of the local government's size or population. The plan and a proposal for implementation shall be presented to the legislature by December 1, 2023.

Section 13 is added, specifying that Section 7 takes effect on January 1, 2025.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Assumptions (Sections 1-4):

- The level of grant funding for the new grant programs in Section 2 and 3 is subject to appropriation, and the number of local governments that may apply to them is unknown. For purposes of this fiscal note, the department assumes 53 grants initially would be provided to communities that apply for the consolidated permit review process grants, which would be between \$50,000-\$100,000 for mid-sized cities. Therefore, with an average grant of \$75,000 per city. The assumption is that approximately \$4 million in grant funding would be required based on the Governor's Proposed Budget
- Based on similar grant programs of this size of funding level, the department will require approximately 3.0 FTE additional staff in FY24 and thereafter with technical expertise in land use planning and permit review to implementing the new provisions of Chapter 36.70B RCW, including developing and administering these new pass-through grant programs (Section 2 and 3), data reporting and management (Section 2), and to convene and administer the digital permitting process work group (Section 4).
- Due to the short FY24 timelines and deadlines established for the grant programs (Sections 2 and 3), and to immediately contract for a technical facilitator and convene stakeholders and prepare a final report (Section 4), the department assumes work would immediately begin in FY24 for hiring necessary staff to begin initial development of the new grant program and to convene the digital permitting process work group by August 1, 2023.
- A professional consultant with expertise in permit review and local government processing, will be hired to assist with work group facilitation, digital and electronic expertise with the subject matter in Section 4, and legislative report preparation.

- The department assumes immediate additional Information Services (IS) work to upgrade to its internal data and tracking system in FY24 for managing additional grant quarterly report tracking and related local government submittals and data collection, related to tracking eligibility (Section 2 and 4).

Assumptions (Section 7-13):

- The department will receive 50 annual reports from covered jurisdictions (7 counties and 43 cities) detailing the new reporting requirements in Section 7.
- The department will require staff to create a reporting template and a new intake process to receive reports.
- The department will require staff to publish a report that compiles the annual performance report data from each reporting jurisdiction, lists the jurisdictions whose time frames are shorter than those provided for in chapter 36.70B RCW, and includes key metrics and findings from the information collected.
- The department will track non-compliance with the local performance reporting requirement, and conduct nonresponse follow up for jurisdictions that have not submitted a timely report, under Section 7.
- The department will provide technical assistance and conduct outreach and guidance to the covered jurisdictions to raise awareness of the reporting requirements, published information online and guidance for departmental review, including the development of a template for local county and city data collection, and reporting by the effective dates in the bill (Sections 9-11).
- The department will immediately contract for consulting services to develop a plan consistent with the requirements of section 12 for presentation to the legislature by December 1, 2023.

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

Sections 1-13:

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

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

0.9 FTE Management Analyst 4 (1,879 hours) in FY24, and .5 FTE Management Analyst 4 (1,044 hours) in FY 25-29, for contracting out for legislative report coordinating local grant quarterly report, work group support and grant program development, develop policies and procedures to implement the annual department reporting and publication system and provide ongoing management, and coordinate rulemaking.

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

Salaries and Benefits:

FY24: \$348,519

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

Professional Services Contract:

The department assumes a professional consultant for work group facilitation, with expertise in digital permitting and feasibility study (Section 4) at 1,000 hours in FY24, with a billable rate of \$200 per hour. The department also assumes a professional consultant to develop a plan to support local staff with the timely processing of residential housing applications (Section 12) at 1,125 hours in FY 24, with a billable rate of \$200 per hour.

FY24: \$425,000

Goods and Services:

FY24: \$53,214

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

Travel:

The department assume travel for outreach and technical assistance in FY24 regarding the local data collection and reporting requirements (Sections 7-9).

FY24: \$3,400

Equipment:

The department assumes standard workstations in FY24 and FY28.

FY24: \$10,000

FY28: \$2,400

Grants, Benefits, Client Services:

The level of grant funding for the new grant programs in Section 2 and 3 is subject to appropriation, and the number of local governments that may apply to them is indeterminate, however for purposes of this fiscal note, the assumption is approximately \$4,000,000 in grant assistance (Sections 2-3).

Intra-agency Reimbursements:

FY24: \$114,663

FY25-FY29: \$78,069 per fiscal year

Note: Standard goods and services costs include supplies and materials, employee development and training, Attorney General costs, central services charges and agency administration. Agency administration costs (e.g., payroll, HR, IT) are funded under a federally approved cost allocation plan.

Total Costs:

FY24: \$954,796

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

FY28: \$352,965

FY29: \$350,565

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	954,796	350,565	1,305,361	701,130	703,530
Total \$			954,796	350,565	1,305,361	701,130	703,530

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	3.5	2.4	3.0	2.4	2.4
A-Salaries and Wages	259,135	175,456	434,591	350,912	350,912
B-Employee Benefits	89,384	61,837	151,221	123,674	123,674
C-Professional Service Contracts	425,000		425,000		
E-Goods and Other Services	53,214	35,203	88,417	70,406	70,406
G-Travel	3,400		3,400		2,400
J-Capital Outlays	10,000		10,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	114,663	78,069	192,732	156,138	156,138
9-					
Total \$	954,796	350,565	1,305,361	701,130	703,530

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Administrative Services - Indirect	111,168	0.5	0.4	0.5	0.4	0.4
Commerce Specialist 3	82,056	1.0	0.5	0.8	0.5	0.5
Commerce Specialist 4	86,212	1.0	1.0	1.0	1.0	1.0
IT Policy & Planning - Manager	132,762	0.1		0.1		
Management Analyst 4	86,212	0.9	0.5	0.7	0.5	0.5
Total FTEs		3.5	2.4	3.0	2.4	2.4

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

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

NONE

Part V: New Rule Making Required

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

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

Individual State Agency Fiscal Note

Bill Number: 5290 2S SB AMH APP H1869.1	Title: Local permit review	Agency: 468-Environmental and Land Use Hearings Office
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

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

Legislative Contact: Jackie Wheeler	Phone: 360-786-7125	Date: 04/06/2023
Agency Preparation: Dominga Soliz	Phone: 3606649173	Date: 04/10/2023
Agency Approval: Dominga Soliz	Phone: 3606649173	Date: 04/10/2023
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 04/12/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

NO CHANGE TO ANTICIPATED IMPACTS from previous versions.

Sections 1-10 amend RCW 36.70B and are not part of the Growth Management Hearings Board (GMHB) jurisdiction.

Section 7. (1) (j) Annual amendments to the comprehensive plan are not subject to the requirements of this section. (k) The county's or city's adoption of a resolution or ordinance to implement this subsection is not subject to appeal under the Growth Management Act (GMA), unless it modifies certain timelines.

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

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

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

NONE

Part V: New Rule Making Required

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

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5290 2S SB AMH APP H1869.1	Title: Local permit review
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

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

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs: Ordinance adoption costs.
- Legislation provides local option: Adopting project review and code provisions that expedite permit review, expand permitting staff capacity, or other measures. Cities, towns, and counties would be eligible for consolidated permit review grants. Certain cities would be eligible for digital permitting system grants.
- Key variables cannot be estimated with certainty at this time: Technical support and training costs to administer new permit processing time periods, the amount of grant funding available in new programs established by this act, and the extent that the permit tracking template could reduce costs for local governments required to submit reports to the Department of Commerce, and cost savings of the residential permit technical assistance program.

Estimated revenue impacts to:

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

Estimated expenditure impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City	2,713,400	2,863,900	5,577,300	301,000	301,000
County	857,500	1,249,500	2,107,000	784,000	784,000
TOTAL \$	3,570,900	4,113,400	7,684,300	1,085,000	1,085,000
GRAND TOTAL \$					9,854,300

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Jordan Laramie	Phone: 360-725-5044	Date: 04/13/2023
Leg. Committee Contact: Jackie Wheeler	Phone: 360-786-7125	Date: 04/06/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 04/13/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 05/05/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

This fiscal note reflects language in 2S SB 5290 AMH APP H-1869.1

CHANGES BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

Modifies the jurisdictions that are eligible for the Department of Commerce (Commerce) digital permitting system grant program. Modifies the annual permit reporting requirements of certain cities and counties planning under the Growth Management Act.

Amends “timelines” to “time periods” for permit processing and modifies many of the permitting time periods thresholds of the prior bill, including: Reinstating the 28-day deadline for a written determination of completeness on a project permit application, permit processing deadlines count calendar days instead of business days, several project permit processing time periods are extended, and increasing the permit review period through ordinance that maintains an exemption from appeal. Local governments may be subject to the refund requirement if the jurisdiction is not meeting permitting deadlines and does not adopt new permit project review provisions by its next comprehensive plan update.

Requires the Department to develop a plan to provide local governments with staff that could advise or temporarily support processing residential permit applications. The plan and a proposal for implementation would be due to the Legislature by December 31, 2023.

SUMMARY OF CURRENT BILL:

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

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

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

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

Fully planning jurisdiction must revise final approval deadlines of project permit applications depending on the public notice and public hearing requirements. Unless provided for the consolidated review of more than one permit, a final decision on permit review may not exceed 170 days. These jurisdictions are encouraged to adopt policies into their local code that provide prompt and accountable project permit application review procedures.

Under this legislation, jurisdictions that are required to conduct Urban Growth Capacity Reports under the buildable lands program would have new permit tracking and annual reporting requirements for certain types of permits associated with

housing. Annual reporting would begin March 1st, 2025. Cities and counties in the buildable lands program that do not submit these reports, would not be eligible to receive grants, loans, or financial guarantees provided by the state for public works projects and water pollution control facilities.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

CHANGES IN EXPENDITURE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

The changes to the amended second substitute version of this bill would increase the availability of technical assistance that local governments could use for residential permit processing. Section 12 may result in indeterminate cost savings as it could reduce the need for a local government to hire new permit technicians or contract for services to complete permit review within the required time periods. However, it is currently unknown how many cities and counties would use the technical assistance program, as well as when the program would be implemented.

EXPENDITURE IMPACTS OF CURRENT BILL:

This legislation would have determinate costs of approximately \$9.8 million over six fiscal years for cities, towns, and counties planning under the Growth Management Act (GMA). Counties in the buildable lands program, and cities with populations over 20,000 within these counties, would incur the majority of these costs in order to implement new permit tracking and reporting requirements as well as adopt new permit review requirements. There would be additional indeterminate costs through the requirement to adopt a site plan review exemption for interior alternations, as well as indeterminate cost savings through the new residential permitting technical assistance program proposed by this legislation.

Determinate impacts:

Using estimates from the Local Government Fiscal Note Program Unit Cost Model, adopting new procedurally complete project permit requirements in Sec. 6 would cost approximately \$3,000 per jurisdiction, while the costs to adopt new permitting review time periods in Sec. 7(1) would cost approximately \$9,500 for counties and \$9,600 for cities. In total these sections would have expenses of approximately \$3.1 million for all GMA fully planning cities, towns, and counties. The timing of these costs would occur in FY24 and FY25 to comply with the effect date of the bill and the effective date specified by Sec. 13.

The start-up costs to develop the permit tracking and reporting program detailed in Sec. 7(2) within the seven counties and 43 cities over 20,000 in population in the buildable lands program would cost between \$56,000 to \$90,000 for each city and as much as \$195,000 for each county. These estimates were derived from a Department of Commerce (Commerce) expenditure survey of buildable lands cities and counties' permit tracking start-up and reporting annual costs, which were adjusted for inflation using the Bureau of Labor and Statistics CPI inflation calculator. The start-up costs for the amended tracking program would be approximately \$4 million from FY24 to FY25 to comply with the requirement to submit 2024 permit data by March 1, 2025.

Using the survey results adjusted for the increase in CPI, there would be annual operations and reporting requirement costs of \$3,500 for cities and \$56,000 for counties. These expenses would total \$542,500 per fiscal year, starting in FY25, and cost approximately \$2.7 million between FY25 and FY29. The following totals detail the costs for jurisdictions depending on their applicability with Sec. 7(2):

Fully planning jurisdictions without applicability to Sec. 7(2):

21 counties x \$12,500 = \$262,500

175 cities x \$12,600 = \$2,205,000

Total: (\$262,500 + \$2,205,000) = \$2,467,500

Buildable Lands' jurisdictions with applicability to Sec. 7(2):

7 counties x (\$12,500 + \$195,000) + (\$56,000/FY x 5FY) = \$3,412,500

8 cities above 100k in population x (\$12,600 + \$90,000) + (\$3,500/FY x 5FY) = \$960,800

35 cities with population between 20k and 100k x (\$12,600 + \$56,000) + (\$3,500/FY x 5FY) = \$3,012,500

Total: $(\$3,412,500 + \$960,800 + \$3,012,500) = \$7,386,800$

Total: $(\$2,467,500 + \$7,386,800) = \$9,854,300$

City

FY2024: \$2,713,400

FY2025: \$2,863,900

FY2026: \$150,500

FY2027: \$150,500

FY2028: \$150,500

FY2029: \$150,500

Total: \$6,179,300

County

FY2024: \$857,500

FY2025: \$1,249,500

FY2026: \$392,000

FY2027: \$392,000

FY2028: \$392,000

FY2029: \$392,000

Total: \$3,675,000

Combined

FY2024: \$3,570,900

FY2025: \$4,113,400

FY2026: \$542,500

FY2027: \$542,500

FY2028: \$542,500

FY2029: \$542,500

Total: \$9,854,300

Indeterminate impacts:

There would be indeterminate costs for all cities, towns, and counties due to the site plan review exemption for certain interior alterations in Sec. 1. The indeterminate costs for the Sec. 1(3) ordinance implementation may be approximately \$2.5 million for all cities, towns, and counties. The Local Government Fiscal Note Program Unit Cost Model estimates that the typical cost to adopt an ordinance per jurisdiction ranges from \$600 for a simple ordinance to \$9,600 for a complex ordinance with a hearing of the same complexity. This includes expenses to draft the ordinance, and advisory commission meeting and recommendation, a finalized ordinance, the publication of ordinance, and general public information. The cost of a moderately complex ordinance with a hearing of the same complexity is estimated at \$5,900 and \$5,800, while a complex ordinance with a hearing of the same complexity is estimated at \$9,600 per city and \$9,500 per county.

Assumptions and illustrative example costs

--50 percent of cities require greater review and implementation than other cities ($281/2 = 140.5$, ~141 cities)

--50 percent of counties require greater review and implementation than other counties ($39 \text{ counties} / 2 = 19.5$, ~20 counties)

--The Local Government Fiscal Note Program estimate for moderately complex ordinance adoption are assumed for the remaining local governments that do not require additional review.

--The Association of Washington Cities indicate that there would be additional indeterminate costs related to updating

outreach materials and websites to conform to the new permitting exemption. The costs of these updates would vary by jurisdiction and are indeterminate.

Cities:

\$5,900 x 140 cities and towns = \$826,000

\$9,600 x 141 cities and towns = \$1,353,600

Illustrative City Total: (\$826,000 + \$1,353,600) = \$2,179,600

Counties:

\$5,800 x 19 counties = \$110,200

\$9,500 x 20 counties = \$190,000

Illustrative county total: (\$110,200 + \$190,000) = \$300,200

Combined city and county:

Illustrative total costs: (\$2,179,600 + \$300,200) = \$2,479,800

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

Section 12 may result in cost savings as it could reduce the need for a local government to hire new permit technicians or contract for services to complete permit review within the time periods required by Sec. 7. The number of cities and counties that would use the technical assistance program cannot be known in advance and the potential savings are indeterminate. Additionally, the scope and scale of these savings may not be known until Commerce completes the plan for the program in December 2023.

Local options:

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

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

Local governments are also encouraged to adopt project review and code provisions that provide prompt and coordinated review for project permit applications, as a local option until January 1, 2026. After this time, adopting the provisions of Sec. 8(2) would be a requirement of cities and counties to incorporate into their development regulations by the time of their next comprehensive plan. Until 2026, there would be no impact for local governments that take no action related to this section. The number of jurisdictions that would codify additional project review code revisions specified in Sec. 8(1) cannot be known in advance.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

CHANGES IN REVENUE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

This amended second substitute legislation may result in indeterminate revenue reductions for cities and counties planning under the Growth Management Act.

After January 1, 2026, a city or county that is required to adopt new measures under 8(2)(a) but does not by its next comprehensive plan update would be required to refund permit processing fees if permitting time period review thresholds are not met. The revenue reductions for such jurisdictions would vary by the types of project permits, the fees associated with these permits, and the length of time before a final decision on an application was made by a local government. The maximum amount of refunded permit fee revenue would be 20 percent of the fee, if the established time period is exceeded by more than 20 percent.

REVENUE IMPACTS OF CURRENT BILL:

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

Indeterminate Impacts:

Increased revenue from building permit consolidation and permitting technology grants:

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

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

The number of local governments that would apply for building permit review consolidation process in Sec. 2, and the number of jurisdictions that would apply for the digital permitting system grants in Sec. 3, is not known at this time.

Permit fee reimbursement for jurisdictions that do not meet permitting timelines:

After January 1, 2025, if a city or county has adopted at least three additional measures under Sec. 8(1) it would be exempt from the permit processing fee refund requirements of Sec 7(1)(l). If permitting final decisions do not meet the required time period thresholds detailed by Sec. 7(1)(d) and a local government has not implemented additional measures, it would be required to reimburse up to 20 percent of application fees to applicants. The magnitude of these costs would depend on project permit volume and the number of applications that fail to meet the deadline, both of which would vary by jurisdiction and cannot be estimated at this time.

After January 1, 2026, a city or county that is required to adopt new measures under 8(2)(a) but does not adopt these measures by its next comprehensive plan update would be required to refund permit processing fees. The revenue reductions for such jurisdictions would vary by the types of project permits, the fees associated with these permits, and the length of time before a final decision on an application was made by a local government as detailed and Sec. 7(1)(l). The maximum amount of refunded permit fee revenue would be 20 percent of the fee, if the established time period is exceeded by more than 20 percent.

SOURCES:

Association of Washington Cities

Bureau of Labor and Statistics, CPI Inflation Calculator

Department of Commerce, FN SB 5290 (2023)

Department of Commerce, Local Government Project Permitting (2005)

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

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

Municipal Research and Services Center

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

Senate Bill Report, 2S SB 5290 (2023)

Senate Bill Report, SB 5473 (2023)

Washington State Association of Counties