

Multiple Agency Fiscal Note Summary

| | |
|--------------------------------|-----------------------------------|
| Bill Number: 2071 2S HB | Title: Residential housing |
|--------------------------------|-----------------------------------|

Estimated Cash Receipts

NONE

Estimated Operating Expenditures

| Agency Name | 2023-25 | | | | 2025-27 | | | | 2027-29 | | | |
|-----------------------------------|--|----------------|----------------|----------------|------------|----------|-------------|----------|------------|----------|-------------|----------|
| | FTEs | GF-State | NGF-Outlook | Total | FTEs | GF-State | NGF-Outlook | Total | FTEs | GF-State | NGF-Outlook | Total |
| Office of the Governor | Non-zero but indeterminate cost and/or savings. Please see discussion. | | | | | | | | | | | |
| Department of Enterprise Services | .7 | 180,000 | 180,000 | 180,000 | .0 | 0 | 0 | 0 | .0 | 0 | 0 | 0 |
| Total \$ | 0.7 | 180,000 | 180,000 | 180,000 | 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 | | | 2,020,000 | | | 2,100,000 | | | 330,000 |
| Local Gov. Total | | | 2,020,000 | | | 2,100,000 | | | 330,000 |

Estimated Capital Budget Expenditures

| Agency Name | 2023-25 | | | 2025-27 | | | 2027-29 | | |
|-----------------------------------|------------|----------|----------|------------|----------|----------|------------|----------|----------|
| | FTEs | Bonds | Total | FTEs | Bonds | Total | FTEs | Bonds | Total |
| Office of the Governor | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Department of Enterprise Services | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Total \$ | 0.0 | 0 | 0 | 0.0 | 0 | 0 | 0.0 | 0 | 0 |

Estimated Capital Budget Breakout

NONE

| | | |
|------------------------------------|---------------------------------|---|
| Prepared by: Val Terre, OFM | Phone: (360) 280-3973 | Date Published: Final 2/14/2024 |
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Individual State Agency Fiscal Note

| | | |
|--------------------------------|-----------------------------------|---|
| Bill Number: 2071 2S HB | Title: Residential housing | Agency: 075-Office of the Governor |
|--------------------------------|-----------------------------------|---|

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

Non-zero but indeterminate cost 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: Emily Stephens | Phone: 360-786-7157 | Date: 02/09/2024 |
| Agency Preparation: Kathy Cody | Phone: (360) 480-7237 | Date: 02/12/2024 |
| Agency Approval: Jamie Langford | Phone: (360) 870-7766 | Date: 02/12/2024 |
| OFM Review: Val Terre | Phone: (360) 280-3973 | Date: 02/13/2024 |

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 second substitute updated the language pertaining to the Office of Regulatory and Innovation Assistance by adding the external consultant must develop an energy code plan. This change does not impact the Office's previous fiscal note assumptions.

HB 2071 requires the Office of Regulatory and Innovation Assistance (ORIA) to contract with an external consultant or entity to develop a standard plan set that demonstrates a prescriptive compliance pathway that meets or exceeds all energy code regulations for residential housing, subject to the international residential code.

The standard plan set must be completed by June 30, 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.

ORIA will need to run a procurement and execute a contract with the successful consultant or entity to carry out the required work. After conferring with industry experts and reviewing similar contracts we estimate the work could require up to 900 hours @ \$250 per hour. Funding for the consultant or firm is estimated to cost up to \$225,000.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

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

III. B - Expenditures by Object Or Purpose

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

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.
NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

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

NONE

Part V: New Rule Making Required

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

Individual State Agency Fiscal Note

| | | |
|--------------------------------|-----------------------------------|--|
| Bill Number: 2071 2S HB | Title: Residential housing | Agency: 179-Department of Enterprise Services |
|--------------------------------|-----------------------------------|--|

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|--------------------------|---------|---------|---------|---------|---------|
| FTE Staff Years | 0.3 | 1.0 | 0.7 | 0.0 | 0.0 |
| Account | | | | | |
| General Fund-State 001-1 | 44,000 | 136,000 | 180,000 | 0 | 0 |
| Total \$ | 44,000 | 136,000 | 180,000 | 0 | 0 |

Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

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

| | | |
|-------------------------------------|-----------------------|------------------|
| Legislative Contact: Emily Stephens | Phone: 360-786-7157 | Date: 02/09/2024 |
| Agency Preparation: Michael Diaz | Phone: (360) 407-8131 | Date: 02/12/2024 |
| Agency Approval: Jessica Goodwin | Phone: (360) 819-3719 | Date: 02/12/2024 |
| OFM Review: Val Terre | Phone: (360) 280-3973 | Date: 02/13/2024 |

Part II: Narrative Explanation

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

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

Section 1 adds a new section to RCW 19.27 requiring the state building code council (SBCC) to create a technical advisory group whose purpose is to recommend additions or amendments to rules or codes necessary for the council to apply the Washington state residential code to multiplex housing. The technical advisory group must provide its recommendations to the council in time for the SBCC to adopt or amend rules or codes as necessary for implementation in the 2024 international building code. The SBCC shall take action to adopt additions and amendments to the rules or codes as necessary by November 1, 2026.

Section 2 adds a new section to RCW 19.27 requiring the SBCC to create a technical advisory group whose purpose is to recommend amendments to the international building code that would allow for a minimum dwelling unit size. The technical advisory group must provide its recommendations to the council in time for the SBCC to adopt or amend rules or code as necessary for implementation in the 2024 international building code. The SBCC shall take action to adopt additions and amendments to rules or codes as necessary by November 1, 2026.

The adoption of these rules can be done within the normal code cycle for rulemaking. However, there is additional administrative costs related to this work.

This has fiscal impact to the Department of Enterprise Services.

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.

Sections 1 and 2 require the State Building Code Council (SBCC) to develop a workgroup and make recommendations to change rules or codes related to multiplex housing codes and minimum dwelling size. The current implementation date identified in HB 2071 2S could be done within the normal cycle of code adoption by SBCC. The Department of Enterprise Services currently assumes that this would not require additional Council and Technical Advisory Group (TAG) meetings, public hearings, or testimony.

For purposes of this analysis, it is assumed that 1.0 Management Analyst 5 would be required for 15 months to complete the administrative work associated with this proposed legislation. The position would start April 1, 2024.

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 | 44,000 | 136,000 | 180,000 | 0 | 0 |
| Total \$ | | | 44,000 | 136,000 | 180,000 | 0 | 0 |

III. B - Expenditures by Object Or Purpose

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|--------------------------------------|---------|---------|---------|---------|---------|
| FTE Staff Years | 0.3 | 1.0 | 0.7 | | |
| A-Salaries and Wages | 30,000 | 96,000 | 126,000 | | |
| B-Employee Benefits | 13,000 | 34,000 | 47,000 | | |
| C-Professional Service Contracts | | | | | |
| E-Goods and Other Services | 1,000 | 6,000 | 7,000 | | |
| G-Travel | | | | | |
| J-Capital Outlays | | | | | |
| M-Inter Agency/Fund Transfers | | | | | |
| N-Grants, Benefits & Client Services | | | | | |
| P-Debt Service | | | | | |
| S-Interagency Reimbursements | | | | | |
| T-Intra-Agency Reimbursements | | | | | |
| 9- | | | | | |
| Total \$ | 44,000 | 136,000 | 180,000 | 0 | 0 |

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

| Job Classification | Salary | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|----------------------|--------|---------|---------|---------|---------|---------|
| Management Analyst 5 | 95,184 | 0.3 | 1.0 | 0.7 | | |
| Total FTEs | | 0.3 | 1.0 | 0.7 | | 0.0 |

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

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

NONE

Part V: New Rule Making Required

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

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

| | |
|--------------------------------|-----------------------------------|
| Bill Number: 2071 2S HB | Title: Residential housing |
|--------------------------------|-----------------------------------|

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

Legislation Impacts:

- ☒ Cities: Cities would be required to update residential development regulations.
- ☒ Counties: Same as above.
- ☐ Special Districts:
- ☒ Specific jurisdictions only: Counties that fully plan under the Growth Management Act and cities within them that have more than 6,000 residents.
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☒ Expenditures represent one-time costs: Ordinance adoption and accompanying analysis costs.
- ☐ Legislation provides local option:
- ☐ Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

| Jurisdiction | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|-----------------------|------------------|-----------|-----------|-----------|---------|
| City | | 1,860,000 | 1,860,000 | 1,380,000 | 90,000 |
| County | | 160,000 | 160,000 | 720,000 | 240,000 |
| TOTAL \$ | | 2,020,000 | 2,020,000 | 2,100,000 | 330,000 |
| GRAND TOTAL \$ | 4,450,000 | | | | |

Part III: Preparation and Approval

| | | |
|--|-----------------------|------------------|
| Fiscal Note Analyst: Jordan Laramie | Phone: 360-725-5044 | Date: 02/14/2024 |
| Leg. Committee Contact: Emily Stephens | Phone: 360-786-7157 | Date: 02/09/2024 |
| Agency Approval: Allan Johnson | Phone: 360-725-5033 | Date: 02/14/2024 |
| OFM Review: Val Terre | Phone: (360) 280-3973 | Date: 02/14/2024 |

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 the second substitute version of HB 2071, 2024 legislative session. The amendments to this act would result in lower costs over a longer duration than the prior bill version.

CHANGES BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

Sec. 1 amends the legislative intent and make changes to technical advisory groups' responsibilities.

Requires fully planning counties and the cities within them that have more than 6,000 residents to adopt or amend development regulations in sections 4, 5, and 6 within six months of the submission deadline of their periodic comprehensive plan update.

The mandated development regulations in Sec. 4 and Sec. 5 would supersede, preempt, and invalidate any conflicting local development regulation after the effect date of these requirements for any affected jurisdiction.

SUMMARY OF CURRENT BILL:

This second substitute legislation would require counties that fully plan under the Growth Management Act, and the cities within them with more than 6,000 residents, to adopt or amend development regulations related to retrofits and construction standards, certain requirements for off-street parking due to tree protection and retention policies, and add new construction standards for passive house requirements.

Amendments to the 2024 international building code that are integrated into the State Building Code for multiplex housing and authorization of smaller dwelling units would be incorporated by all counties, cities, and towns as required by state law.

Sections 1 and 2 add new sections to chapter 19.27 RCW which requires the State Building Code Council (SBCC) to convene two technical advisory groups to convene for the purpose of recommending additions or amendments to the rules or codes for multiplex housing and amending minimum dwelling unit size. These recommendations must be provided to the SBCC for implementation in the 2024 international building code and adoption by July 1, 2026.

Section 4 adds a new section to chapter 36.70A RCW which requires counties that plan under the Growth Management Act, and the cities within them that have more than 6,000 residents, to allow certain standards for retrofits of existing buildings and existing nonconforming buildings used for residential housing. These regulations must be adopted within six months of an impacted jurisdiction's submission deadline of its periodic comprehensive plan update. If these development regulations are not adopted this section would supersede, preempt, and invalidate any conflicting local development regulation after the effect date of these requirements for any affected jurisdiction.

Section 5 adds a new section to chapter 36.70A RCW which sets certain new construction standards for counties that plan under the Growth Management Act, and the cities within them that have more than 6,000 residents. These jurisdictions must allow for passive house requirements. A definition of "passive house requirements" is provided to mean the energy modeling requirements of the passive house institute United States. If these development regulations are not adopted this section would supersede, preempt, and invalidate any conflicting local development regulation after the effect date of these requirements for any affected jurisdiction.

Section 6 adds a new section to chapter 36.70A RCW which would prohibit counties that plan under the Growth Management Act, and the cities within them that have more than 6,000 residents, from requiring off-street parking for residential projects due to tree retention or protection requirements.

The effective date of this act would be 90 days after the adjournment of the session in which it is passed.

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 amendments made to the proposed second substitute bill would change the expenditure impact of the prior bill by reducing the number of affected local governments. It would also change the implementation timeline from the prior bill to six months after the completion of a jurisdiction’s periodic comprehensive plan update.

Compared to the prior version of this act, the second substitute version reduces costs by \$3,210,000 and extends the duration of those costs by one state fiscal year. The Local Government Fiscal Note program assumes that every impacted jurisdiction would adopt the development regulations required by Sec. 4 and Sec. 5, by the effective date specified by each section.

SUMMARY OF CURRENT BILL VERSION:

This legislation would have moderate impacts for certain jurisdictions that fully plan under the Growth Management Act.

Fully planning counties, and the cities within them with more than 6,000 residents, would need to adopt or amend the development regulations in Sec. 4 and Sec. 5 into their local code to comply with this act. There are 28 counties and 110 cities that fully plan under the GMA that this legislation would impact. The estimated costs of this act would be \$4.5 million, distributed over four state fiscal years (FY). The timing of these costs would occur six months after the submission deadline of these jurisdictions periodic comprehensive plan update, as specified by RCW 36.70A.130.

The fiscal note for HB 2071 prepared by the Department of Enterprise Services indicates that local governments would adopt any amendments to the state building code (SBC) made by the state building code council as required by state law and as part of the regular update cycle. Therefore, all counties, cities, and towns would presumably update their local codes as part of the amendment cycle for the 2024 SBC, by July 1, 2026. The Association of Washington Cities (AWC) indicated that the city impact for HB 2071 Sec. 1 as well as Sec. 2 would have no impact.

Due to the provisions added in the second substitute version of this bill there are 138 jurisdictions impacted by this bill (28 counties and 110 cities with more than 6,000 residents) according to the April 1, 2023, population estimates from the Office of Financial Management. The Local Government Fiscal Note program, using assumptions from AWC, the Washington State Association of Counties, and the Department of Commerce’s Evaluation of Planning Costs Study (2023), estimates that the planning work in Sec. 4, 5, and 6 may start at \$30,000 per city, and \$40,000 per county.

These sections would add new chapters to 36.70A RCW, and would be effective six months after the completion of a jurisdiction’s periodic comprehensive plan update as specified by RCW 36.70A.130. The combined local government expenditure impact of this act would be \$4.5 million. These costs would be incurred from FY2025 through FY2028, as illustrated below.

Combined county and city:

| | |
|---------|-------------|
| FY2024: | \$0 |
| FY2025: | \$2,020,000 |
| FY2026: | \$1,150,000 |
| FY2027: | \$950,000 |
| FY2028: | \$330,000 |
| FY2029: | \$0 |
| Total: | \$4,450,000 |

City:

FY2024: \$0
FY2025: \$1,860,000
FY2026: \$750,000
FY2027: \$630,000
FY2028: \$90,000
FY2029: \$0
Total: \$3,330,000

County:
FY2024: \$0
FY2025: \$160,000
FY2026: \$400,000
FY2027: \$320,000
FY2028: \$240,000
FY2029: \$0
Total: \$1,120,000

For the purposes of this fiscal note, the local government fiscal note program assumes that every impacted jurisdiction would enact the required development regulations on or before the effect date specified by Sec. 4 and Sec. 5. However, if a city or county does not update its local laws to include the new development regulations from Section 4 and 5 within six months after they need to submit their comprehensive plan, then the regulations of these sections would override any conflicting local law starting from when these new regulations take effect in that jurisdiction.

If a jurisdiction were unable to update their code by the applicable deadlines, and their code were superseded by the statute authorized in this act, there would be increased workload for city and county staff to parse their code and differentiate which portions were still enforceable and which were superseded. This would increase the staff time needed to administer their code by an unknown amount, and only impact cities and counties that did not implement the ordinances mandated by this act by the applicable deadline.

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:

The amendments made to the proposed substitute bill would not change the revenue impact from the prior bill.

SUMMARY OF CURRENT BILL VERSION:

This legislation would not impact local government revenue.

SOURCES:

Association of Washington Cities
Department of Enterprise Services, FN HB 2071 (2024)
Department of Commerce, Evaluation of Planning Costs Report (2023)
Local Government Fiscal Note Program, FN HB 1167 (2023)
Municipal Research and Services Center, Building Code & Permit Administration
Office of Financial Management, April 1, 2023 Population Estimate
Washington State Association of Counties