

Multiple Agency Fiscal Note Summary

Bill Number: 1491 3S HB	Title: Transit-oriented housing dev
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Estimated Cash Receipts

Agency Name	2025-27			2027-29			2029-31		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total \$	0	0	0	0	0	0	0	0	0

Agency Name	2025-27		2027-29		2029-31	
	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	2025-27				2027-29				2029-31			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Commerce	2.8	1,356,476	1,356,476	1,356,476	1.8	602,516	602,516	602,516	1.6	530,708	530,708	530,708
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Transportation	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	2.8	1,356,476	1,356,476	1,356,476	1.8	602,516	602,516	602,516	1.6	530,708	530,708	530,708

Agency Name	2025-27			2027-29			2029-31		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other			968,000						7,866,000
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			968,000						7,866,000

Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Commerce	1.5	464,050	464,050	2.0	611,200	611,200	2.0	603,200	603,200
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Transportation	.0	0	0	.0	0	0	.0	0	0
Total \$	1.5	464,050	464,050	2.0	611,200	611,200	2.0	603,200	603,200

Agency Name	2025-27			2027-29			2029-31		
	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

Agency Name	2025-27		2027-29		2029-31	
	Total		Total		Total	
Staff	464,050		611,200		603,200	
Total \$	464,050		611,200		603,200	

Prepared by: Marie Davis, OFM	Phone: (360) 890-1163	Date Published: Final 3/12/2025
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Individual State Agency Fiscal Note

Bill Number: 1491 3S HB	Title: Transit-oriented housing dev	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 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	2.6	3.0	2.8	1.8	1.6
Account					
General Fund-State 001-1	566,209	790,267	1,356,476	602,516	530,708
Total \$	566,209	790,267	1,356,476	602,516	530,708

Estimated Capital Budget Impact:

	2025-27		2027-29		2029-31	
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Pre-design/Design	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Grants/Loans	0	0	0	0	0	0
Staff	162,450	301,600	301,600	309,600	301,600	301,600
Other	0	0	0	0	0	0
Total \$	162,450	301,600	301,600	309,600	301,600	301,600

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 Kauble	Phone: 360-786-7125	Date: 03/03/2025
Agency Preparation: Jodi Barnes	Phone: (564) 669-0071	Date: 03/07/2025
Agency Approval: Jodi Barnes	Phone: (564) 669-0071	Date: 03/07/2025
OFM Review: Marie Davis	Phone: (360) 890-1163	Date: 03/12/2025

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 3SHB 1491 and the second substitute:

Section 2 clarifies the definition of rail station area to one-quarter mile around station areas commuter rail stations in communities under 15,000.

Section 3(4) is removed and previously required the Department of Commerce (Department) to develop guidance to convert different types of planning measurements to the transit-oriented development (TOD) density requirements and applicable floor area ratios.

Section 6 amends State Environmental Policy Act (SEPA) RCW 43.21c.229 categorically exempting all residential or mixed-use projects from SEPA and adds a requirement for the Department of Ecology to adopt rules that provide exception to the use of categorical exemptions related to mixed-use and station areas as defined in RCW 36.70A.030.

Section 19 adds a null and void clause.

3SHB 1491 reduces the fiscal impact to the Department.

Summary of 3SHB 1491:

Section 3 adds a new section to RCW 36.70A, the Growth Management Act (GMA), and makes new requirements for station areas and residential development within those areas. Modifications to these standards are allowed, but only after review and approval by the Department.

Section 3 creates mandatory inclusionary zoning for 10% at affordable housing (60% AMI rental, 80% AMI ownership) or 20% at workforce (80% AMI rental) housing for at least 50 years with some exceptions. These exceptions must be listed in the comprehensive plan and is a new comprehensive planning requirement.

Section 3 requires a city to approve a multifamily property tax exemption (MFTE) exemption for projects that meet the mandatory affordable housing 10% at affordable housing (60% AMI rental, 80% AMI ownership) or 20% at workforce (80% AMI rental) housing for 50 years under RCW 84.14.(1)(a)(ii)(D).

Section 3(16) requires the Department to publish a model TOD ordinance by June 30, 2027.

Section 3(17) allows cities to seek a five-year extension to address displacement, process, and determination assigned to the Department.

Section 3(18) provides that the Department may approve substantially similar actions if adopted by June 2026. Commerce must develop procedures and rules for the approval.

Section 4 adds a new section to RCW 36.70A and requires the Department, subject to appropriation, to administer a grant program for the water, sewer, stormwater, and transportation infrastructure, and parks and recreation facilities needed to implement TOD requirements. Grants may also cover station area planning or other pre-development costs necessary for the implementation of station area plans and the staffing necessary to implement TOD plans.

Section 5 adds a new section to RCW 36.70A and requires the Department to accept empirical parking studies and determine if, for safety reasons, a city can deviate from the parking limitations in the bill.

Sections 11 through 18 create a new MFTE specific to station areas. The Department is responsible for technical assistance, reporting, and auditing of the MFTE program.

Section 11 amends RCW 84.14.010 and definitions for MFTE.

Section 11(3) clarifies that the MFTE is authorized for cities or towns with a station area.

Section 11(17) defines station area as the same as RCW 36.70A.030.

Section 12 amends RCW 84.14.020 and adds a new "station area MFTE" in part D, which provides a property tax exemption for 20 years if the property is located fully or partially with a station area and meets the affordability requirements in Section 3(8)(a) of this act.

Section 13 amends RCW 84.14.030 to clarify that a MFTE project may be located in a residential targeted area or in a station area.

Section 14 amends RCW 84.15.060 to clarify applicability for affordability under MFTE or mandatory station area affordability requirements.

Section 15 amends RCW 84.15.090 to add the mandatory station area affordability requirements to the rules for issuing MFTE certificates.

Section 16 amends RCW 84.15.0100 to add TOD MFTE projects to those that must be submitted to the Department and subject to an audit.

Section 17 amends RCW 84.15.110 to add the mandatory station area affordability requirements to the rules for monitoring MFTE projects and assessing penalties.

Section 18 adds a new section to RCW 84.14 which requires a city with a station area to adopt standards and guidelines for and MFTE program within station areas. This will amend the MFTE programs of 31 cities and require adoption by seven cities.

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.

Section 3 requires the Department of Commerce (Department) to:

- review and make a determination on local government alternatives to station area designations,
- publish a model TOD ordinance by June 30, 2027,
- review and make a determination on local government requests for extension related to anti-displacement considerations, and
- review and make a determination on local government actions adopted before June 30, 2026, for substantially similar requirements.

Section 5 requires the Department to review and make a determination on parking regulations based on an empirical parking study.

Sections 3 and 11 through 18 expand the MFTE program to include all station areas. The Department is required to support expansion of the MFTE program.

The Department assumes a professional services contract would be necessary to develop the model ordinance and the alternative action materials, the extension materials, and the parking study materials.

The Department assumes formation of the TOD capital grant program proposed in Section 4 will be contingent on a legislative appropriation in the operating budget.

The Department assumes the TOD capital grant program would be a covered agency action and require an environmental justice assessment.

0.4 FTE Management Analyst 4 (835 hours) FY27-FY28. This staff will manage the rulemaking process. This staff will also complete coordination with other state agency partners including the Washington State Department of Transportation.

0.2 FTE Commerce Specialist 5 (416 hours) FY26-31. This staff will hire and provide day-to-day supervision to program staff.

2.0 FTE Commerce Specialist 3 (2,088 hours) FY26-FY27, then 1.0 FTE Commerce Specialist 3 (2,088 hours) FY 28-FY31. These staff will provide capacity around solicitation, origination, management, and the monitoring of project contracts. These staff will assist senior management with drafting legislation, representing the agency, developing policy positions, and coordinating the state's role with respect to the implementation of new local government requirements to meet the TOD standards under this act. These staff will also review submittal of alternative actions, extensions for areas at high risk of displacement, and deviations from parking requirements.

0.4 Management Analyst 4 (835 hours) FY26-FY31. This staff will provide technical assistance, monitoring, and administer the auditing program for the new station area MFTE as required by Chapter 84.14 RCW. Seven of the 38 jurisdictions do not currently have MFTE, and all will need to amend their programs to comply with the TOD regulations.

Salaries and Benefits:

FY26: \$300,305

FY27: \$347,715

FY28: \$234,205

FY29-31: \$186,795 each fiscal year

Professional Services Contracts: The Department assumes it will require two professional services contracts. The Department assumes an experienced contractor with expertise in TOD will be required to develop the model ordinance by June 30, 2027 (FY26: \$90,000 and FY27: \$200,000), including a contractor with expertise in parking deviations to develop the processes and criteria for alternative actions, extensions, and parking deviations (FY26: \$50,000 and FY27: \$100,000), which are both highly technical skillsets.

FY26: \$140,000

FY27: \$300,000

Goods and Services: In addition to the standard Goods and Services associated with additional FTEs, the Department assumes that review of the model ordinance and rulemaking materials by the Assistant Attorney General will be necessary. The Department estimates 50 hours of AAG time in FY28 at a rate of \$165/hour. The Department assumes the need for two Geographic Information System software licenses to map station areas and evaluate extension and alternative action requests. Each professional license is estimated at \$2,233 per year. The Department assumes an annual Zoom Grants license for grant applications will be required for \$3,438 per fiscal year.

FY26: \$16,504

FY27: \$25,154
 FY28: \$15,904
 FY29-31: \$15,504 each fiscal year

Travel: In addition to Department standard assumptions, the Department assumes that staff will need to travel to complete outreach to develop and implement the pre-emptive model ordinance and attend conferences to develop and educate on TOD best practices. The Department assumes two staff will need to complete two trips annually, which include per diem, lodging, and a rental vehicle for three nights each.

FY26: \$2,600
 FY27: \$3,000
 FY28: \$2,000
 FY29-31: \$1,600 each fiscal year

Equipment:
 FY26: \$8,000
 FY29: \$8,000

Inter-Agency Reimbursements:
 FY26: \$98,800
 FY27: \$114,398
 FY28: \$77,053
 FY29-31: \$61,455 each fiscal year

Total Costs:
 FY26: \$566,209
 FY27: \$790,267
 FY28: \$329,162
 FY29: \$273,354
 FY30-31: \$265,354 each fiscal year

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
001-1	General Fund	State	566,209	790,267	1,356,476	602,516	530,708
Total \$			566,209	790,267	1,356,476	602,516	530,708

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	2.6	3.0	2.8	1.8	1.6
A-Salaries and Wages	224,162	259,679	483,841	314,805	279,288
B-Employee Benefits	76,143	88,036	164,179	106,195	94,302
C-Professional Service Contracts	140,000	300,000	440,000		
E-Goods and Other Services	16,504	25,154	41,658	31,408	31,008
G-Travel	2,600	3,000	5,600	3,600	3,200
J-Capital Outlays	8,000		8,000	8,000	
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	98,800	114,398	213,198	138,508	122,910
9-					
Total \$	566,209	790,267	1,356,476	602,516	530,708

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 2026	FY 2027	2025-27	2027-29	2029-31
Commerce Specialist 3	84,518	2.0	2.0	2.0	1.0	1.0
Commerce Specialist 5	98,040	0.2	0.2	0.2	0.2	0.2
Management Analyst 4	88,794	0.4	0.8	0.6	0.6	0.4
Total FTEs		2.6	3.0	2.8	1.8	1.6

III. D - Expenditures By Program (optional)

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
Local Government Division (600)	566,209	790,267	1,356,476	602,516	530,708
Total \$	566,209	790,267	1,356,476	602,516	530,708

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
057-1	State Building Construction Account	State	162,450	301,600	464,050	611,200	603,200
Total \$			162,450	301,600	464,050	611,200	603,200

IV. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	1.0	2.0	1.5	2.0	2.0
A-Salaries and Wages	80,859	161,718	242,577	323,436	323,436
B-Employee Benefits	28,358	56,717	85,075	113,434	113,434
C-Professional Service Contracts					
E-Goods and Other Services	8,300	9,300	17,600	18,600	18,600
G-Travel	1,000	2,000	3,000	4,000	4,000
J-Capital Outlays	8,000		8,000	8,000	
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	35,933	71,865	107,798	143,730	143,730
9-					
Total \$	162,450	301,600	464,050	611,200	603,200

IV. C - Capital Budget Breakout

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

Construction Estimate	FY 2026	FY 2027	2025-27	2027-29	2029-31
Predesign/Design					
Construction					
Grants/Loans					
Staff	162,450	301,600	464,050	611,200	603,200
Other					
Total \$	162,450	301,600	464,050	611,200	603,200

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

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
Commerce Specialist 2	72,924	0.5	1.0	0.8	1.0	1.0
Commerce Specialist 4	88,794	0.5	1.0	0.8	1.0	1.0
Total FTEs		1.0	2.0	1.5	2.0	2.0

Subject to capital appropriation, Section 4 requires the Department to create and administer a new TOD grant program. That appropriation is indeterminate and grant awards under this act are dependent on the appropriation level. The Department assumes 3% administrative costs and the staffing levels assumed below. The following costs and assumptions are for illustrative purposes only.

The Department assumes the program would be operational by January 1, 2026, and would begin its first grant cycle after that date, pending legislative appropriation. The Department has previously provided TOD planning grants and currently operates an infrastructure capital grant program. The Department assumes one full-time staff member is able to carry a capital contract caseload of up to 30 contracts per year.

0.5 FTE Commerce Specialist 4 (1,044 hours) FY26 and 1.0 FTE (2,088 hours) FY27-FY31. This staff will assign contracts and provide contract negotiation and execution support, lead project site monitoring and site visits, and provide oversight of contract management activities.

0.5 FTE Commerce Specialist 2 (1,044 hours) FY26 and 1.0 FTE (2,088 hours) FY27-FY31. This staff will provide contract management and program technical assistance in support of capital contracts and invoice verification, providing or building capacity around solicitation, origination, management, and the monitoring of project contracts.

Salaries and Benefits:

FY26: \$109,217

FY27-FY31: \$218,435 each fiscal year

Goods and Services: The Department assumes review from an Assistant Attorney General of the grant program materials will be necessary. We estimate the need for 20 hours of AAG hours at a cost of \$165 per hour each year the grant program makes awards.

FY26: \$8,300

FY27-FY31: \$9,300 each fiscal year

Travel:

FY26: \$1,000

FY27-FY31: \$2,000 each fiscal year

Equipment:

FY26: \$8,000

FY29: \$8,000

Intra-Agency Reimbursements:

FY26: \$35,933

FY27-FY31: \$71,865 each fiscal year

Total Costs:

FY26: \$162,450

FY27-FY28: \$301,600 each fiscal year

FY29: \$309,600

FY30-FY31: \$301,600 each fiscal year

Part V: New Rule Making Required

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

The Department will require rulemaking to update WAC 365-196 and 365-199 for the requirements for approval of alternative actions, extensions, and parking studies under this act.

Department of Revenue Fiscal Note

Bill Number: 1491 3S HB	Title: Transit-oriented housing dev	Agency: 140-Department of Revenue
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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 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 Kauble	Phone: 60-786-7125	Date: 03/03/2025
Agency Preparation: Kari Kenall	Phone: 60-534-1508	Date: 03/06/2025
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 03/06/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 03/11/2025

Request # 1491-2-1

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 3SHB 1491, 2025 Legislative Session.

This fiscal note only addresses sections 2 and 11 through 18, which impact the Department of Revenue (department).

COMPARISON OF THIRD SUBSTITUTE BILL WITH SECOND SUBSTITUTE BILL:

The third substitute bill adds a null and void clause.

CURRENT LAW:

The Multi-Family Housing Property Tax Exemption (MFTE) program provides a property tax exemption in exchange for the development of multifamily and affordable housing in designated “residential targeted areas” (RTA).

It authorizes eight-year exemptions to encourage the development of multifamily housing and 12 and 20-year exemptions to encourage affordable housing development. All cities, many towns, and some counties are eligible to offer an MFTE program.

PROPOSAL:

This bill expands the MFTE program by creating a new 20-year exemption for the value of qualified new or rehabilitated housing. The exemption excludes land and non-qualifying improvements. A property qualifies for this new exemption if it is located fully or partially within a station area and meets the required affordability requirements for 50 years. That is, 10% of all residential units must be affordable housing, or 20% of all residential units must be workforce housing. A city with a station area must adopt regulations and offer this exemption.

This bill adds the following definitions:

“Affordable housing” means housing with monthly costs not exceeding 30% of the monthly income of a household that is either:

- For rental housing at or below 60% of the county median income.
- For owner-occupied housing, at or below 80% of county median income.

“Workforce housing” means rental housing with monthly costs not exceeding 30% of a household's monthly income at or below 80% of the county median income.

“Station area” means an area in an urban growth area that is either:

- A rail station area, defined as within a half-mile walking distance of a light rail, commuter rail, or trolley station with a population greater than 15,000 in Western Washington or a quarter-mile walking distance of light rail or commuter rail stop in a city with a population no greater than 15,000.
- A bus station area, defined as within a quarter-mile walking distance of a rapid transit bus stop as outlined in a transit development plan with the Department of Commerce, which has an environmental determination consistent with state environmental policy laws, and features fixed transit assets that indicate permanent high-capacity service, like elevated platforms, enhanced stations, off-board fare collection, dedicated lanes, busways, or signal priority.

A new “city” definition is provided, meaning a city or town with a station area.

EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session.

However, if specific funding for the purpose of this bill is not provided by June 30, 2025, the bill is null and void.

II. B - Cash receipts Impact

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

ASSUMPTIONS:

- This legislation passes effective beginning with property taxes due for calendar year 2026.
- Local governments administer the MFTE program.
- As of 2023, the estimated exempt value of properties participating in a city, town, or county MFTE program was \$15.5 billion.
- This bill may increase the number of jurisdictions participating in the MFTE program, which we expect would increase the estimated exempt value of properties participating.

DATA SOURCES:

- Economic and Revenue Forecast Council, November 2024 forecast
- County assessor, Property data

REVENUE ESTIMATE:

The Economic and Revenue Forecast Council predicts that the state property tax levy will remain below the \$3.60 limit throughout the 2027-29 biennium.

This bill expands the number of jurisdictions eligible to or required to participate in the MFTE program. However, the additional jurisdictions participating in the MFTE program are unknown.

The number of taxpayers using the exemption in eligible jurisdictions, the size of the projects receiving the exemption, the total exempted new construction value, and what additional qualifying restrictions local governments require of the exempted properties are also unknown.

This exemption results in no loss in revenues for the state levy.

PROPERTY TAX SHIFTS:

Because the degree to which taxpayers will use the exemption in newly eligible jurisdictions is unknown, this proposal results in an indeterminate shift of the state levy to other taxpayers.

Local districts will also experience an indeterminate shift of taxes to other taxpayers, and the local shift may result in a local revenue loss due to levy limits.

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.

The department will have minimal costs of approximately \$3,000 for 40 hours of work by a property acquisition specialist to revise property tax manuals, update training materials, and work with county assessor's offices to implement this legislation. The department will absorb these costs within current funding.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

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

NONE

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: 1491 3S HB	Title: Transit-oriented housing dev	Agency: 405-Department of Transportation
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

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- Requires new rule making, complete Part V.

Legislative Contact: Jackie Kauble	Phone: 360-786-7125	Date: 03/03/2025
Agency Preparation: Jeanett Mallett	Phone: 360-705-7919	Date: 03/10/2025
Agency Approval: Brian Lagerberg	Phone: 360-705-7878	Date: 03/10/2025
OFM Review: Brooke Gore	Phone: (564) 669-0703	Date: 03/11/2025

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.

See attached fiscal note.

II. B - Cash receipts Impact

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

II. C - Expenditures

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

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

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

NONE

Part V: New Rule Making Required

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

Individual State Agency Fiscal Note

Bill Number: 3SHB 1491 Title: Transit Oriented Housing Dev

Agency: 405-Department of Transportation

Part I: Estimates

- No Fiscal Impact (Explain required in section II. A)
- Indeterminate Cash Receipts Impact (Explain in section II. B)
- Partially Indeterminate Cash Receipts Impact (Explain in section II. B)
- Indeterminate Expenditure Impact (Explain in section II. C)
- Partially Indeterminate Expenditure Impact (Explain in section II. C)

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

Fiscal Detail

N/A

Agency Assumptions

N/A

Agency Contacts:

Preparer: Jeanett Mallett, Business Analyst	Phone: 360-705-7925	Date: 3/5/2025
Approval: Brian Lagerberg, PTD Director	Phone: 360-705-7878	Date: 3/6/2025
Budget Manager: Doug Clouse (Robert Sirghie), Budget Manager	Phone: 360-705-7546	Date: 3/6/2025

Part II: Narrative Explanation

II. A - Brief description of what the measure does that has fiscal impact

This bill has no fiscal impact on the Washington State Department of Transportation. This impacts cities, towns, transit agencies, Metropolitan Planning Organizations/Regional Transportation Planning Organizations, land use and community-based non-profits, affordable housing and other developers required to engage in new planning efforts in order implement the law changes.

This bill requires cities planning under the GMA to develop new residential and mixed-use transit-oriented development. It provides a 20-year property tax exemption for affordable housing and requires Dept of Commerce to administer a grant program to assist cities in planning, providing infrastructure for TOD requirements.

3ShbB1491 makes no changes to the definition of Rail Station Area, Bus Station Area, Station Area. This bill adds a new section sec. nineteen nullifying the bill if funding isn't appropriated for the bill's implementation.

Individual State Agency Fiscal Note

Section one of the bill details the intent of the legislature to allow new housing development to keep up with infrastructure development while also making housing more affordable.

Section two of the bill defines vocabulary associated with the bill.

Section three proposes legislation that requires cities planning under GMA to plan for high density development around station areas and prohibits parking minimums in these locations. It defines station areas and minimum floor area ratios for development.

Section four and five of the bill assigns Commerce a variety of roles including guidance, development of a model ordinance, parking exemption oversight, and administration of a grant program that includes planning activities and capital projects. It also creates a SEPA categorical exemption for eligible projects in these areas.

Section six proposes city or county planning under RCW 36.70A.040 to establish categorical exemptions from the requirements of this chapter and lists exemption criteria.

Section seven through ten proposes that new governing documents and/or declarations created after the effective date of this section of the bill may not prohibit the construction or development of multifamily housing or transit-oriented development under section 3 of the bill or require off-street parking inconsistent or in conflict with section five of this bill.

Section eleven defines additional vocabulary.

Section twelve outlines tax exemptions available, the criteria for exemption as well as the length of time for exemption for the new housing construction, conversion, and rehabilitation improvements.

Section thirteen designates property requirements for owners of the new or rehabilitated multi-unit housing as well as guidelines the housing must meet. This section also provides a three-year deadline on the length of time that will be given to complete new construction of multifamily housing and rehabilitation improvements, plus any extension authorized under RCW 84.14.090(5).

Section fourteen outlines criteria that allows for approval of a new housing development application by the authorized administrative official or committee of the city or county.

Section fifteen lists the required documentation to be submitted upon completion of rehabilitation or new construction for an application for a limited tax exemption that has been approved.

Section sixteen outlines the yearly reporting requirements of the owner or qualified nonprofit or local government to certify and assure permanent affordable homeownership for at least 25% of the units receiving an exemption under RCW 84.14.021. This section also details extensively the information that should be submitted in the report.

Section seventeen of the bill outlines improvement exemptions and provides guidance to owners desiring to convert the multifamily development to another use or owners wanting to discontinue compliance with the affordable housing requirements as described in RCW 84.14.020 or section 3(7) (a) of the bill and the real property tax, additional penalties and interest associated with it.

Section eighteen mandates the governing authority of a city to adopt and implement standards and guidelines to be used in considering applications as well as specific criteria to be included.

Changes from previous version:

- There were numerous changes to this substitute version of the bill, but none impacted the department's previous assumptions on the fiscal impact.

II. B – Cash Receipts Impact

N/A

Individual State Agency Fiscal Note

II. C - Expenditures

N/A

Part III: Expenditure Detail

III. A - Expenditures by Object or Purpose

Part IV: Capital Budget Impact

N/A

Part V: New Rule Making Required

N/A

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1491 3S HB	Title: Transit-oriented housing dev
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities:** Approximately \$8,834,000; Cities with station areas may have starting costs of \$90,000 and \$250,000, per city, due to new zoning and development regulations, associated environmental analysis for station areas, and updated comprehensive plan elements. Further indeterminate costs related to new multifamily property tax exemption programs and policies as well as anti-displacement analysis in station areas.
- Counties:**
- Special Districts:**
- Specific jurisdictions only:** 37 cities fully planning under the Growth Management Act with station areas.
- Variance occurs due to:** Most fully planning cities do not have station areas as defined in the bill.

Part II: Estimates

- No fiscal impacts.**
- Expenditures represent one-time costs:** Zoning and development regulation ordinance adoption and analysis costs. Environmental review to support significant impacts as well as the categorical exemption for residential infill development in station areas.
- Legislation provides local option:** Applying for grants specified in this act, continuation of existing affordability requirements in new development if they exceed the standards in this act, and extensions in areas identified as being at a high risk of displacement.
- Key variables cannot be estimated with certainty at this time:** Scope and scale of comprehensive plan amendment; number of cities that would file for extensions under this act; multifamily property tax exemption program policies would vary by jurisdiction; seven of the 37 impacted cities would need to start exemption programs with long-term administrative, legal, and programmatic costs.

Estimated revenue impacts to:

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

Estimated expenditure impacts to:

Jurisdiction	FY 2026	FY 2027	2025-27	2027-29	2029-31
City	686,000	282,000	968,000		7,866,000
TOTAL \$	686,000	282,000	968,000		7,866,000
GRAND TOTAL \$					8,834,000

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: 03/11/2025
Leg. Committee Contact: Jackie Kauble	Phone: 360-786-7125	Date: 03/03/2025
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 03/11/2025
OFM Review: Marie Davis	Phone: (360) 890-1163	Date: 03/12/2025

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 third substitute version of HB 1491, 2025 legislative session. The amendments to this bill are compared to the first substitute version of HB 1491.

CHANGES FROM PRIOR BILL VERSION:

Amends the definition of rail station area for all commuter rail stops based on population thresholds. For cities with populations of 15,000 or less, a rail station area includes all lots within a quarter mile walkshed from a commuter rail station entrance. For cities with populations of 15,000 or more, a rail station area includes all lots within a half mile walkshed from a commuter rail station entrance.

Clarifies the categorical exemption for residential and mixed-use developments in station areas by including that this categorical exemption is subject to rules adopted by Department of Ecology, and that “mixed-use” and “station area” have the same definitions as those found in the Growth Management Act.

There is a null and void clause, requiring funding to be appropriated by June 30, 2025.

SUMMARY OF CURRENT BILL VERSION:

This proposed third substitute legislation would establish new standards for transit-oriented development by updating planning definitions and zoning requirements for cities with specifically prescribed rail and bus station areas, while also introducing a mandatory property tax exemption to incentivize affordable and workforce multifamily housing development in these areas.

Sec. 2 includes definitions for “floor area ratio,” and “workforce housing,” as well as two types of station areas, a bus station area and a rail station area.

Sec. 3 would prohibit local regulations within station areas that restrict multifamily housing development on lots that allow for residential development. Sets required minimum densities for rail station areas (3.5 FAR) and bus station areas (2.5 to 3.0 FAR) with the ability to modify a station area after consultation with Commerce, but provides for adjustments to maximum density for additional affordable or permanent supportive housing units in station areas. Buildings that are exempted from density requirements in station areas must identify the qualifying density and affordability requirements in either its comprehensive plan or development regulations. Cities with station areas must establish MTFE exemptions, as provided in Sec. 12 of this act, which meets the affordability requirements of Sec. 3(7)(a). Lots within station areas may be excluded from the required minimum densities in the event they are shorelines, critical areas, nonconforming lot dimensions, contain a designated landmark or historic district, in zones meant for industrial, agricultural, or manufacturing uses, or if a station area is in a tsunami inundation zone. Implementation deadlines are established based on RCW 36.70A.130 (5)(a) and RCW 36.70A.130 (9), as well as six months after dates specified by RCW 36.70A.130 (5)(b), (c), and (d). Extensions for density requirements may be granted for up to five years by Commerce for jurisdictions that can document displacement risk in station areas.

Sec. 4. Subject to appropriation, Commerce must establish and administer a grant program to assist cities in providing: the infrastructure necessary to accommodate development at transit-oriented development densities within station areas; station area planning or other predevelopment costs necessary for implementation of station area plans; and the staffing necessary to implement transit-oriented development requirements.

Sec. 5 would limit the requirement for off-street parking for new residential or mixed-use development within station areas with exceptions for accessible parking or short-term delivery use. This section prevents the absence of parking from triggering adverse environmental review determinations.

Sec. 6 would authorize a city to adopt a categorically exemption from full environmental review under the State Environmental Policy Act for a proposed residential or mixed-use development within a station area.

Sec. 11 would amend the definition of “city” and “station area” within multifamily property tax exemption statute.

Sec. 12 would be a new 20-year property tax exemption on the value of housing-related improvements for a multifamily building that meets the transit-oriented development affordability requirements of Sec. 3(7)(a).

Sec. 13 would amend the requirements of applicants for a property tax exemption to be located fully or partially within a station area.

Sec. 14 would include the transit-oriented affordability requirements of Sec. 3(7)(a) as qualifying MTFE projects that may be approved by a city or county, subject to compliance with all standards and guidelines, and located fully or partially within a station area.

Sec. 15 through Sec. 17 are conditions for certification and continuing exemption provided that adherence to the transit-oriented affordability requirements of Sec. 3(7)(a) are maintained for the qualifying period.

Sec. 18 would require each city with a station area to implement standards and guidelines for considering applications and making determinations, including: applications processes, income and rent standards, demolition and site utilization requirements, and building requirements.

Sec. 19 is a null and void clause.

This substitute bill would take effect 90 days after the session in which it is passed. Implementation of the prescribed development regulations and MTFE programs would be required based on the presence of station areas within a city and on a timeline dictated by RCW 36.70A.130 (5)(a) and RCW 36.70A.130 (9), as well as six months after dates specified by RCW 36.70A.130 (5)(b), (c), and (d).

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.

EXPENDITURE CHANGES FROM PRIOR BILL VERSION:

Sec. 2 of the third substitute bill defines refines the definition of rail station areas for commuter stations based on population size. Cities with commuter rail stations and populations less than 15,000 would have a smaller walkshed radius to plan for when compared to cities with these stations and populations greater than 15,000. Only the City of Sumner (11,040 pop. in 2024) is affected by this amendment. The change in walkshed distance decreases the radius of the station area and eliminates a portion of the station area that was in the City of Edgewood. This would reduce the count of impacted cities from the prior fiscal note by one. This would reduce costs by approximately \$122,000 compared to the substitute version of this act.

The clarification in Sec. 6 would not change the prior fiscal impact associated with the categorical exemption for residential and mixed-use development in station areas.

EXPENDITURE IMPACT OF CURRENT BILL:

The proposed legislation would have both determinate and indeterminate impacts on cities planning under the Growth Management Act (GMA) with station areas. Consultation with the Department of Commerce and the Puget Sound Regional Council (PSRC) indicates that 37 cities would be impacted by this legislation. This third substitute act has an estimated starting cost of \$8.83 million over five state fiscal years. Cities with a large number of station areas would likely have higher costs due to more considerations

Impact of Section 3

Adopting new zoning ordinances and development regulation around station areas:

\$7,650,000 – Costs that can be estimated at this time, based on review of Commerce Transit-Oriented Development Implement Grants (TODI) (2022) would exceed \$7.65 million for 37 cities to amend local code through a variety of new development regulations including land use, zoning, permitting, as well as extensive environmental review under the State Environmental Policy Act (SEPA) for actions consistent with a Planned Action Environmental Impact Statement (EIS).

In 27 cities affected by this bill the expenses for this work would likely exceed \$250,000 per city to conduct the full scope of environmental review and minimum residential density in station areas ordinances. In some cities, the costs would be much higher, such as the cities of Seattle, Everett, and Bellevue, due to the large number of rail and bus station areas. Costs may also be higher in mid-sized cities with a large number of bus station areas not currently associated with the SR522 and I-405 BRT expansion projects under Sound Transit, such as Federal Way, Des Moines, and SeaTac. Some cities may have fewer costs, such as those with three or fewer station areas or only one commuter rail station area, these include the cities of Kent, Auburn, Sumner, and Puyallup as well as Fife, Lakewood, and Mukilteo. These cities may have starting costs of roughly \$90,000 to adopt the minimum density zoning regulations and associated environmental review as prescribed by this act. The City of Edgewood was eliminated from the number of impacted cities due to the amended definition of station area under the third substitute version of this legislation.

Costs for provisions in Sec. 3(2) include: analyzing comprehensive plan policies and municipal code to determine extent of amendments required; drafting informational materials on reasons for, and approach to, allowing high-density residential developments using floor area ratios (e.g. design regulations to ensure compatibility) for public review; conducting outreach to inform and solicit feedback from residential neighborhoods and developers. Amending the land use near station areas may also cause potential significant environmental impacts could require either an expanded environmental checklist or Planned Action EIS. This document would provide information to understand the comparative environmental impact implications of the comprehensive plan and land use code changes reflected in the alternatives analyzed as well as form the basis for the SEPA categorical exemption for infill development in station areas authorized by Sec. 6.

One of the key factors about the complexity of this zoning regulation is the environmental analysis that would consider alternatives for infill development that will replace many single-family with multi-family or mixed-use development, in every station area in the impacted city. Review of TODI grants issued by Commerce, indicate a high-level of environmental planning, and commensurate costs for station area Planned Action EIS and Planned Action ordinances (PAOs) for any station area previously designated by grantees under RCW 43.21C.440 RCW. This environmental analysis must address required elements of environmental review consistent with any existing city environmental policies and procedures as well as SEPA rules. Each of the environmental analysis review topics would be included: soils/geology, air quality & greenhouse gases, water, plants and animals, noise, light and glare, land use, housing, open space and recreation, historic, archaeological, and cultural resources, transportation, public services and utilities. The development and zoning regulations amendments would require changes to the comprehensive plan and the land use code, both non-project actions.

TODI grants were dispersed through 1080 S HB (2021) with average grant amounts of \$250,00 per jurisdiction and ranged from \$90,000 to \$280,000 (in 2024 dollars) depending on the number station areas with proposed rezones, adoption of the rezones with the grant funds, creating new subarea plans with community visioning, and whether an expanded environmental checklist or a new EIS was completed for this work. Cities impacted by this legislation would have considerable variance in the amount of work for TOD implementation including how many station areas are within the city and therefore the number of rezones, analysis of parcels that must be included in the station area walkshed and those that must be excluded, and other factors.

Additionally, a city may seek an extension for any station area, which would require anti-displacement risk analysis to determine if vulnerable residents are affected by the rezone. Whether the anti-displacement risk analysis requirement by

updated Housing elements is sufficiently precise for each station area, would vary by jurisdiction. The analysis must consider the risk of displacement and potential mitigation actions for areas of cities that may have a higher level of disadvantage and priority when compared to other parts of the city. In a prior version of this bill from 2023 the Association of Washington Cities estimated that anti-displacement risk analysis could start at approximately \$40,000 per impacted city. However, the number of cities where existing analysis was not sufficient is not currently known.

27 fully planning cities x \$250,000 = \$6,750,000

10 fully planning cities with three or fewer station areas x \$90,000 = \$900,000

Estimated cost: \$6,750,000 + \$900,000 = \$7,650,000

Some jurisdictions may elect not to bring their codes into conformity with the requirements of this legislation prior to the applicable deadline. In these jurisdictions, the model code developed by the Department of Commerce in Sec. 3(16) would automatically apply and take effect starting June 30, 2027, until local code is adopted.

If a jurisdiction were unable to update their code by the effective date and their code were superseded by state statute, there would be increased workload for city staff to parse their code and differentiate which portions were still enforceable and which were superseded. According to the American Planning Association, Washington Chapter, this would increase the staff time needed to administer their code by an unknown amount, and impact cities that did not implement the ordinance established by this act by the applicable deadline.

Amended Comprehensive Plan Elements

\$1,184,000 –At minimum, each jurisdiction would be required to amend their Housing and Land Use elements to incorporate the changes in affordable and workforce housing residential density in station areas and updated zoning designations that incorporate the transit-oriented densities for FAR in station areas, as well as allowable population densities, building intensities, and estimates of future population growth into their comprehensive plans. Amending comprehensive plan elements would have starting costs of at least \$32,000 for each of the 38 fully planning cities impacted by this bill (\$16,000 per element amendment). There may be further costs to update additional elements that would depend on the specific circumstances of city’s infrastructure and capital facilities planning.

37 fully planning cities x \$32,000 = \$1,184,000

These costs assume that the comprehensive plan element amendments are moderately complex, and take into account housing growth estimates in each station area, location and land use characteristics of the station area walkshed, existing Housing element details about relevant subareas, or subarea plans, any anti-displacement risk analysis, and affordable and workforce housing requirements and inventories that already exist in the proposed station area. However, these costs depend on the complexity of the amendment, the population size of the jurisdiction, the number of station areas, the internal capacity to perform the element amendments within the planning department, and other factors. Expenditures for this work could exceed \$100,000 in some jurisdictions based on findings from a Commerce cost study on amendments to Growth Management Act elements (2023), and consultation with the Association of Washington Cities.

There may be costs in addition to updated Housing and Land Use elements in cities with station areas, as the assessed density required to accommodate growth over the next 20-year period within the UGA has increased and considerations for affordable and workforce housing in station areas must be addressed (Housing element), updated zoning designations that incorporate the transit-oriented densities for FAR in station areas, as well as allowable population densities, building intensities, and estimates of future population growth (Land Use element). There may be additional impacted elements if infrastructure demand may be affected depending on the scale of the residential density compared to baseline (Utilities element) and capital projects may need to accommodate increased residential density (Capital Facilities element). Costs may be higher in jurisdictions with greater number of rail and bus station areas.

Estimated Determinate Costs:

Based on the due dates established in Sec. 3(16) the number of cities that are required to adopt the requirements of this act by six months after the submission deadline of their latest comprehensive plan, or on, or before, their implementation progress report date would have the following costs. Three cities would have due dates by June 30, 2026, one city would have a due date by December 31, 2026, and 33 cities would have a due date by December 31, 2029, along with their implementation progress reports.

Estimated costs per state fiscal year:

FY2026:	\$686,000
FY2027:	\$282,000
FY2028:	\$0
FY2029:	\$0
FY2030:	\$7,866,000
FY2031:	\$0
Total:	\$8,834,000

INDETERMINATE COSTS:

New or modified multifamily property tax exemption programs in Sec. 3:

Under Sec. 3(9) this substitute act would require all cities with a station area to approve a 20-year multifamily property tax exemption (MFTE) established under Sec. 12 in these areas. There are at least 37 cities with a qualifying station area or one that is planned for completion by the fiscal outlook of this fiscal note. Of these 37 cities, there are seven that do not have multifamily property tax exemption programs. Costs to adopt the required provisions may be lower in cities with existing MFTE programs, however, all cities would have new costs related to adopting new exemptions and the standards and guidelines in Sec. 18 with transit-oriented affordability requirements of Sec. 3(7)(a).

Costs for this work are indeterminate and would vary by jurisdiction, involving annual expenditures for administrative and legislative processes, auditing, legal, and reporting costs. Costs would be higher in cities with more residential development and buildings certified under the new exemption.

Grants authorized in sec. 4

Per Sec. 4 any city subject to the requirements of this section may apply to Commerce to assist in providing the infrastructure necessary to accommodate development at transit-oriented development densities within station areas, including water, sewer, stormwater, transportation, parks, and recreation facilities. The substitute version of this act would allow for financial assistance for station area planning and predevelopment costs, as well as staffing to implement TOD requirements.

Commerce has indicated that it expects these grants to be competitive, which carry higher costs to prepare an application compared to formula-based grants. Cities that apply would have costs to prepare these applications, which may include preparing workplans, transportation and/or rezoning background studies and case studies, rezoning and/or transportation analysis, designs and schematics, solicitation and preparation of community visioning, or other materials necessary to complete an application. Costs could range from minor to more significant depending on the scope of the application prepared, where a more complete or compelling application could be scored higher by Commerce. Costs for this work may range from a few thousand to more than \$10,000 in staff time.

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.

REVENUE CHANGES FROM PRIOR BILL VERSION:

The amendments to the third substitute bill would reduce the number of impacted cities, from 38 to 37. This change would reduce the potential costs associated with the grant program authorized by Sec. 4.

REVENUE IMPACT OF CURRENT BILL:

The funding level of the grant program authorized by Sec. 4 is currently unknown and the revenue impact for the impacted cities is indeterminate.

Illustrative Example of Revenue:

If the legislature made an appropriation commensurate with the costs estimated in the prior section, the following revenues could be assumed. However, there would be significant variability in the costs associated with this act based on jurisdiction size, number of station areas, previously planned or existing station areas and accompanying environmental assessment and other factors.

For Cities with Station Areas:

Due six months after deadline in RCW 36.70A.130(5)(b) – 3 cities, \$686,000

Due six months after deadline in RCW 36.70A.130(5)(c) – 1 city, \$282,000

Due six months after deadline in RCW 36.70A.130(5)(d) – 0 cities, \$0

Deadline within RCW 36.70A.130(5)(a) and required to submit progress report RCW 36.70A.130(5)(9) – 33 cities, \$8,834,000

Total: \$686,000 + \$282,000 + \$8,834,000 = \$8,834,000

Costs occur over a five state fiscal year time horizon, or roughly \$1.77 million per state fiscal year.

TAX REVENUE IMPACTS:

The Department of Revenue (DOR) issued a fiscal note for this bill, with findings indicating that this act would create an indeterminate tax shift related to the multifamily property tax exemption programs. This act expands the number of jurisdictions eligible to or required to participate in the MFTE program. However, DOR states that the additional jurisdictions participating in the MFTE program are unknown.

The number of taxpayers using the exemption in eligible jurisdictions, the size of the projects receiving the exemption, the total exempted new construction value, and what additional qualifying restrictions local governments require of the exempted properties are also unknown.

Property Tax Shifts:

Because the degree to which taxpayers will use the exemption in newly eligible jurisdictions is unknown, this proposal results in an indeterminate shift of the state levy to other taxpayers.

Local districts will also experience an indeterminate shift of taxes to other taxpayers, and the local shift may result in a local revenue loss due to levy limits.

SOURCES:

American Planning Association – Washington Chapter
Association of Washington Cities, Salary Survey (2024)

Department of Commerce

Department of Commerce, FN 1491 S HB (2025)

Department of Commerce, Planning Cost Study (2023)

Department of Commerce, Transit-Oriented Development Implementation Grants (2022)

Department of Ecology, State Environmental Policy Act Register (2014-2024)

Department of Natural Resources, Tsunami Hazard Maps (2022)

Department of Revenue, FN 1491 3S HB (2025)
House Bill Analysis, HB 1491 (2025)
House Bill Report, S HB 1491 (2025)
Local Government Fiscal Note Program, FN HB 1110 (2023)
Local Government Fiscal Note Program, Unit Cost Model (2025)
Municipal Research and Services Center, Growth Management Act
Puget Sound Regional Council
Perkins-Eastman, Transit-Oriented Development Policies in Washington State (Dec. 11, 2024)