

Multiple Agency Fiscal Note Summary

Bill Number: 1110 2S HB	Title: Middle housing
--------------------------------	------------------------------

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	Fiscal note not available					
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	8.1	2,772,581	2,772,581	2,772,581	5.8	1,693,858	1,693,858	1,693,858	5.8	1,701,058	1,701,058	1,701,058
Office of Financial Management	.0	0	0	0	.0	0	0	0	.0	0	0	0
Environmental and Land Use Hearings Office	Fiscal note not available											
Total \$	8.1	2,772,581	2,772,581	2,772,581	5.8	1,693,858	1,693,858	1,693,858	5.8	1,701,058	1,701,058	1,701,058

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Total									
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Fiscal note not available								

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
Office of Financial Management	.0	0	0	.0	0	0	.0	0	0
Environmental and Land Use Hearings Office	Fiscal note not available								
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	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Breakout

NONE

Prepared by: Gwen Stamey, OFM	Phone: (360) 790-1166	Date Published: Preliminary 3/ 7/2023
--------------------------------------	---------------------------------	---

Individual State Agency Fiscal Note

Bill Number: 1110 2S HB	Title: Middle housing	Agency: 103-Department of Commerce
--------------------------------	------------------------------	---

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	8.1	8.1	8.1	5.8	5.8
Account					
General Fund-State 001-1	1,552,956	1,219,625	2,772,581	1,693,858	1,701,058
Total \$	1,552,956	1,219,625	2,772,581	1,693,858	1,701,058

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: 02/28/2023
Agency Preparation: Buck Lucas	Phone: 360-725-3180	Date: 03/07/2023
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 03/07/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 03/07/2023

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 bill and first substitute bill:

The substitute bill would change the fiscal impact to the Department of Commerce (department):

- Section 2 adds a new type of critical area to the Growth Management Act (GMA).
- Section 3 changes the development regulations required for middle housing and provides that local governments seeking an exemption to the parking provisions must submit an empirical parking study to the department and that the department may certify the exemption, whereas the previous version allowed cities to make this determination on their own, using the department's guidance.
- Section 5 changes the department's certification process for substantially similar comprehensive plans and development regulations and expands the opportunity for cities to participate.
- Section 7 changes the requirements of the infrastructure extension provisions administered by the department.
- A new section 10 establishes a SEPA exemption for government action removing requirements for parking from infill development projects.
- A new section 16 authorizes the department to establish rules necessary to implement the act, in chapter 64.90 RCW.
- A new section 17 includes a null and void clause.

Summary of the second substitute bill:

Section 2 amends RCW 36.70A.030 adding several new housing-related definitions to the GMA and a new type of critical area defined as "a watershed serving a reservoir for potable water if that watershed is listed, or was listed as of the effective date of this section, as impaired or threatened under section 303(d) of the federal clean water act (33 U.S.C. Sec. 1313(d))."

Section 3(1) establishes minimum middle housing density requirements in cities, depending on their population and/or proximity to large cities.

Section 3(2) clarifies that affordable housing incentive programs established RCW 36.70A.540 govern in the event of a conflict between the provisions of that program and the requirements of the bill and that nothing in the bill prohibits a city from expanding those programs to include middle housing. This subsection also includes the affordability provisions required for a property to utilize the bonus density.

Section 3(6) provides that the parking requirements of the bill do not apply if a local government submits to the department an empirical study that clearly demonstrates, and the department finds and certifies, that the application of the parking requirements for middle housing would be significantly less safe for vehicle drivers or passengers, pedestrians, or bicyclists than if the parking requirements were applied for the same number of detached single family houses; and do not apply to portions of cities within a one-mile radius of a commercial airport in Washington with at least 9 million annual enplanements. The department is directed to development guidance for items to include in the study.

Section 5 adds a new section to RCW 36.70A directing the department to establish a process by which cities may seek approval of alternative local action that are substantially similar to the bill's requirements. This alternative approval process existed in the previous version, but applied to existing comprehensive plans and development regulations; the substitute allows cities to submit alternative comprehensive plans adopted by January 1, 2023 and development regulations adopted within one year of the bill's effective date. The factors the department must consider in approving substantially similar plans has also changed.

Section 6 adds a new section to RCW 36.70A creating a new certification program in which cities apply to the department for an extension in implementing the bill's requirements in areas at risk of displacement as determined by the anti-displacement analysis required to be completed under RCW 36.70A.070(2) (HB 1220 (2022)).

Section 8(1) and (2) establishes an approval program in which the department may certify an extension to cities to implement the bill due to certain infrastructure deficiencies. The only change to the previous version is that fire protection is added to the type of infrastructure deficiency that qualifies for an extension.

Section 8(6) requires the department to provide the legislature with a list of projects identified in a city's capital facilities plan that were the basis for an extension under Section 8, including planning level estimates. This subsection also allows a city that has received an extension to reapply for additional extensions at its subsequent periodic update or implementation progress report, provided it provides the department a list of infrastructure improvements necessary to meet the capacity required to implement the bill. The original version only allowed one additional extension.

Section 10 amends RCW 43.21C.229 establishing a State Environment Protection Act (SEPA) categorical exemption for government action taken to amend development regulations to remove requirements for parking from development proposed to fill in an Urban Growth Area (UGA).

Section 11 adds a new section to RCW 36.70A providing that cities taking actions to comply with this act shall be deemed to be in compliance with RCW 36.70A.070(2)(d) until June 20, 2032. This provision was section 10 in the previous version.

Section 16 amends chapter 64.90 RCW (Uniform Common Interest Ownership Act) by provided that the department may establish by rule any standards or procedures necessary to implement the act.

Section 17 includes a null and void clause that provides that if specific funding for the purposes of the act is not provided by June 30, 2023 in the omnibus appropriations act, 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.

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:

The department assumes significant administrative rulemaking for the middle housing model ordinances, changes to the critical areas definition, certification programs, and other processes as well as ongoing work monitoring, approving, or denying local actions to implement the bill.

- Development of a middle housing model ordinance by six months after the bill's effective date would likely involve retaining consultant services with expertise. The department assumes that the fiscal impact would be the same as in the substitute version's fiscal note: 1,250 hours with a billable rate of \$200 per hour, \$250,000 in total cost in FY24.
- The department assumes ongoing monitoring of local housing plans and comprehensive plan updates, including related technical assistance and training statewide with development of new certification processes in section 3 (exemption from parking limitations), section 5 (approval of substantially similar local actions), section 6 (extension for anti-displacement implementation), and section 8 (extension for infrastructure deficiencies).
- The department assumes the additional definition of a critical area in section 1 will require rulemaking updates to, at

minimum, chapter 365-190 WAC (minimum guidelines to classify critical areas), -195 (best available science), and WAC 365-196-485 (critical areas). The department assumes staff time will be required to consult with the department of ecology on properly defining the new critical area, updating critical area guidance documents, and providing technical assistance to jurisdictions for implementation. The department makes the following fiscal assumptions for this provision: 1.0 FTE Commerce Specialist 3 (FY24-FY25) for collaboration with ecology on rule and guidance development, preparing guidance document updates, and providing technical assistance to jurisdictions; 0.3 FTE Management Analyst 4 (FY24-FY25) for rulemaking and associated guidance; and 50 hours of AAG consultation (\$10,500 total based on \$210 per hour) in FY24-FY25.

- The department assumes that the costs associated with the certification processes for the anti-displacement extension and infrastructure deficiency extension would remain the same as in the previous version, as the changes in the second substitute are minimal.

- The department assumes that the number of jurisdictions that would seek certification of an exemption for the parking restrictions is indeterminate. The department assumes that the requirement to develop guidance to assist cities on items to include in a parking study will likely involve retaining consultant services with expertise in FY24. The fiscal assumption of a professional services contract of \$100,00 (based on 500 hours at \$200 per hour) to development guidance is unchanged. The previous fiscal note did not assume any rulemaking for this provision. However, with the new department certification process, rulemaking for this provision is now assumed. The department assumes that new rulemaking and certification process will slightly increase the workloads for the Commerce Specialist 3, Commerce Specialist 4, and Management Analyst 4 over the workload assumptions in the first substitute's fiscal note, in addition to attorney general costs.

- The department assumes that the number of jurisdictions that would seek certification of a substantially similar local action by January 1, 2023 (comprehensive plans) and one year after the bill's effective date (development regulations) is indeterminate, but likely greater than the number of jurisdictions that would have been eligible for a substantially similar finding under the first substitute, since that version applied only to existing local actions. However, the department assumes that any increase in cost or workload associated with additional jurisdiction submittals can be absorbed into the fiscal assumptions made in the first substitute's fiscal note.

- The department assumes that the provision in section 16, amending chapter 64.90 RCW to authorize the department to adopt rules necessary to implement the act, will have no new fiscal impact, as the department already assumed significant rulemaking for that purpose.

- The department assumes \$27,510 per fiscal year, FY24-FY25, and \$10,000 in FY26-FY29 in AAG rulemaking review and consultation for rulemaking and general guidance required throughout this bill, including guidelines in sections 3, 5, 6, and 8 based on similar high level GMA guidance and rulemaking review. Ongoing AAG costs of \$10,000 assume the cost of legal services required for potential appeals of department decisions under section 5. The department assumes that the added AAG costs for rulemaking review and consultation for rulemaking and general guidance over the first substitute are due to the new certification process in section 3 (parking exemption).

- Additional significant department IT work will be required to initially upgrade its internal planning data system for tracking submitted materials, FY24-FY25, and ongoing maintenance. The department assumes \$50,000 a year for the first two years for immediate IT upgrades for tracking and new workflow for receiving local amendments, department approval processes, certification and tracking of timeline extensions, and the legal appeals of department decisions, and 0.3 FTE for two IT staff to upgrade and maintain the planning data system to implement new requirements (Sections 3, 5, 6, and 8).

- Grant assumptions: Between 60 and 80 communities will be updating their plans and regulations, and a total of 330 jurisdictions between FY24 and FY28. Previous grants ranged in size, depending on the size of the community, with smaller jurisdictions getting proportionately more due to small internal capacity and substantial technical assistance from the department. The department assumes about 50% of jurisdictions will request grants and technical assistance for middle housing, while the others lack capacity to write the grants. With about 250 jurisdictions to complete updates after this year,

and about 120 potentially applying for and getting grants of about \$75,000 each equals \$9 million along with \$2 million in administrative and technical assistance to assist over the subsequent four-year period. The total amount is \$5.5 million for each biennium, or \$4.5 million in grants and \$1 million in technical assistance.

1.3 FTE Commerce Specialist 4 (3,341 hours) in FY24-FY29, ongoing, to serve as the statewide expert in middle housing planning and oversee implementation and management of the new review and certification programs.

3.8 FTE Commerce Specialist 3 (7,934 hours) in FY24-FY25, to assist Commerce Specialist 4 in above activities and implementation of the new critical area designation, including collaboration with ecology and developing guidance material, and 2.8 FTE (5,846 hours) in FY26-FY29, to manage grants, work with local governments on their housing elements and development regulations specifically related to middle housing and any follow up critical area assistance.

0.8 FTE Management Analyst 4 (1,670 hours) in FY24-FY25, to provide professional and technical advice to management for rulemaking administration and technical support for approval processes and timeline extension programs.

0.2 FTE Administrative Assistant 3 (418 hours) in FY24-FY29, to review documents, records, or applications for completeness, accuracy, and compliance with rules. Composes office correspondence such as requests for documentation and responses to requests for information.

0.5 FTE IT Business Analyst Expert (1,086 hours) in FY24 and FY25, and 0.3 FTE (626 hours) in FY26-FY29, for significant system maintenance and upgrades to the plan review data and program tracking system, including major data system upgrades for new programs and ongoing maintenance and periodic upgrades thereafter.

0.3 FTE IT Application Developer (626 hours) in FY24-FY29, for system maintenance for upgrades to the data and program tracking database.

Salaries and Benefits:

FY24: \$812,857

FY25: \$840,414

FY26-FY29: \$592,454 each fiscal year

Professional Services Contract

Section 3 requires a contract in FY24 to provide professional expertise for guidance to assist cities on items to include in the parking study at 500 hours with a billable rate of \$200 per hour, \$100,000 in total cost in FY24. Section 5 requires a contract in FY24 to provide professional expertise for model ordinance development at 1,250 hours with a billable rate of \$200 per hour, \$250,000 in total cost in FY24.

FY24: \$350,000

Goods and Services

Includes \$27,510 in FY24-FY25 (131 hours at \$210 per hour each fiscal year) for AAG and legal review of draft administrative rules required by the bill and model ordinance review. Ongoing \$10,000 in FY26-FY29 (48 hours at \$210 per hour each fiscal year) for legal services and ongoing appeals of department decisions under section 5.

FY24: \$93,900

FY25: \$93,946

FY26-FY29: \$57,038 each fiscal year

Travel:

Statewide local technical assistance, 30 days annually, for training and outreach with local governments and half with

overnight lodging.

FY24-FY25: \$5,409 each fiscal year

Equipment:

Standard workstations for new team members and a replacement computer on the agency's five-year lifecycle replacement schedule.

FY24: \$23,360

FY25: \$3,360

FY26-FY27: \$2,520 each fiscal year

FY28: \$9,720

FY29: \$2,520

Interagency Reimbursements:

FY24: \$267,430

FY25: \$276,496

FY26-FY29: \$194,917 each 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. Intra-agency administration costs (e.g., payroll, HR, IT) are funded under a federally approved cost allocation plan.

=====

Total Costs:

FY24: \$1,552,956

FY25: \$1,219,625

FY26-FY27: \$846,929 each fiscal year

FY28: \$854,129

FY29: \$846,929

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	1,552,956	1,219,625	2,772,581	1,693,858	1,701,058
Total \$			1,552,956	1,219,625	2,772,581	1,693,858	1,701,058

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	8.1	8.1	8.1	5.8	5.8
A-Salaries and Wages	605,291	623,449	1,228,740	878,464	878,464
B-Employee Benefits	207,566	216,965	424,531	306,444	306,444
C-Professional Service Contracts	350,000		350,000		
E-Goods and Other Services	93,900	93,946	187,846	114,076	114,076
G-Travel	5,409	5,409	10,818		
J-Capital Outlays	23,360	3,360	26,720	5,040	12,240
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	267,430	276,496	543,926	389,834	389,834
9-					
Total \$	1,552,956	1,219,625	2,772,581	1,693,858	1,701,058

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 Assistant 3	52,616	0.2	0.2	0.2	0.2	0.2
Administrative Services - Indirect	111,168	1.2	1.2	1.2	0.9	0.9
Commerce Specialist 3	82,056	3.8	3.8	3.8	2.8	2.8
Commerce Specialist 4	86,212	1.3	1.3	1.3	1.3	1.3
IT APP Development - Senior/Specialist	120,457	0.3	0.3	0.3	0.3	0.3
IT Business Analyst - Expert	126,485	0.5	0.5	0.5	0.3	0.3
Management Analyst 4	86,212	0.8	0.8	0.8		
Total FTEs		8.1	8.1	8.1	5.8	5.8

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.

The bill requires rulemaking activities:

- Sections 1-6, 8., and 11 contain revisions to the GMA that would require updated technical assistance and guidance for cities through rulemaking.
- Section 1 contains revisions to the definition of critical areas that will require rulemaking updates to, at minimum, chapter 365-190 WAC (minimum guidelines to classify critical areas), -195 (best available science), and WAC 365-196-485 (critical areas).
- Section 3 directs the department to develop a process for approval of exemptions to the parking requirements of the bill.
- Section 5 directs the department to develop a process for approval of substantially similar alternative local actions.
- Section 6 directs the department to develop a process for certifying extensions of implementation requirements based on anti-displacement analysis.
- Section 8 directs the department to establish by rule and standards or procedures necessary to implement extension requests based on infrastructure deficiencies.
- Section 16 authorizes the department to establish by rule any standards or procedures necessary to implement the act.

Individual State Agency Fiscal Note

Bill Number: 1110 2S HB	Title: Middle housing	Agency: 105-Office of Financial Management
--------------------------------	------------------------------	---

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: 02/28/2023
Agency Preparation: Keith Thunstedt	Phone: 360-810-1271	Date: 03/03/2023
Agency Approval: Jamie Langford	Phone: 360-902-0422	Date: 03/03/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/03/2023

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.

There were no changes in this second substitute version that changed OFM's fiscal impact assumptions from the previous version.

Second Substitute:

Section 3 defines city population thresholds related to the bill are based on OFM population estimates.

Section 4 exempts middle housing units from the threshold of an OFM population projection to a county or a county population allocation to a city.

These actions can be completed within existing staffing and resources. There is no fiscal impact to OFM.

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.