

Multiple Agency Fiscal Note Summary

Bill Number: 1252 HB	Title: Impact fee deferrals
-----------------------------	------------------------------------

Estimated Cash Receipts

NONE

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

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	0.0	0	0	0	0.0	0	0	0	0.0	0	0	0

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

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

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

Estimated Capital Budget Breakout

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final
---------------------------------------	---------------------------------	---------------------------------

Department of Revenue Fiscal Note

Bill Number: 1252 HB	Title: Impact fee deferrals	Agency: 140-Department of Revenue
-----------------------------	------------------------------------	--

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

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: Audrey Vasek	Phone: 60-786-7383	Date: 01/26/2023
Agency Preparation: Diana Tibbetts	Phone: 60-534-1520	Date: 01/28/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/28/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/30/2023

Request # 1252-1-1

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.

CURRENT LAW:

Local governments can impose local impact fees. Local governments may defer collection of impact fees for single-family detached and attached residential construction.

PROPOSAL:

This legislation creates new deferral system requirements for counties, cities, and towns to adopt by September 1, 2024.

New requirements include:

- An applicant requesting an impact fee deferral may request a voluntary agreement with counties, cities, towns, or other municipal corporations that allows deferral of the full impact fee payment.
- The seller must provide written disclosure of a deferral agreement to the buyer as required by law.
- The bill maintains the right of local governments to withhold certification of final inspection or certificate of occupancy or equivalent if they determined the payment of impact fees is due at time of issuance.

This bill also removes some local impact fee deferral requirements including the requirement for local governments to provide data, materials, and assistance to the Department of Commerce for their annual impact fee report.

EFFECTIVE DATE:

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

II. B - Cash receipts Impact

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

This bill results in no revenue impact to taxes administered by the Department of Revenue (department).

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 not incur any costs with the implementation of this legislation.

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

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1252 HB

Title: Impact fee deferrals

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

Legislation Impacts:

- Cities: Indeterminate, but minor, program administration cost increases for cities that implement impact fee deferral programs. Indeterminate, but minor, administration fee revenue decrease for cities that charge administration fees for impact fee deferral programs.
- Counties: Same as above; decreased lien recording and release costs for county auditors; decreased lien recording and release revenue.
- Special Districts:
- Specific jurisdictions only: Only jurisdictions with impact fee deferral programs that plan under the Growth Management Act.
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time: Number of jurisdictions that impose liens associated with the impact fee deferral program.

Estimated revenue impacts to:

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

Estimated expenditure impacts to:

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

Part III: Preparation and Approval

Fiscal Note Analyst: Jordan Laramie	Phone: 360-725-5044	Date: 01/30/2023
Leg. Committee Contact: Audrey Vasek	Phone: 360-786-7383	Date: 01/26/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/30/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/30/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

This legislation would amend the impact fee deferral program requirements used by local governments that allow builders to pay impact fees near the end of the construction process rather than at the beginning. Impact fees are authorized under the Growth Management Act as a financing resource to ensure that adequate public facilities are available to serve new growth and development.

The bill modifies the impact fee deferral requirements such that they remove the lien and foreclosure requirements, the limits on the number of deferrals allowed per applicant, and the provision related to collection of fees by local governments for program administration.

Sec. 1 would amend 82.02.050 RCW

(3)(a) By September 1, 2024, local governments collecting impact fees must provide an impact fee deferral system for single-family residential construction that provides a process for a building permit applicant to request a voluntary deferral agreement.

The voluntary deferral agreement process is amended such that the lien and foreclosure requirements and the limits on the number of deferrals allowed per applicant are both removed.

Additionally, the voluntary deferral agreement must be publicly posted and must include a provision for payment of the impact fee at the time of: the issuance of a certificate of occupancy or equivalent certification for the unit; closing of the first sale of the unit occurring after the issuance of the building permit; or at the time of final inspection.

(3)(b) If a local government determines that payment of the impact fees is due at the time of certification of final inspection, issuance of the certificate of occupancy, or issuance of equivalent certification, the local government may withhold the issuance of the certificate until the impact fees have been paid in full.

(3)(d)(ii) A requirement that the seller provide written disclosure of a deferral agreement to the buyer as required by the statutes governing sellers' disclosures during real property transfers is added.

(3)(h) The provision authorizing a local government to collect reasonable administrative fees from program applicants in order to implement the deferral system is removed.

(3)(i) The requirement that a local government cooperate with and provide required data to the Department of Commerce for the purposes of the statute requiring an annual report on impact fees, and to the JLARC for the purpose of the now-expired statute requiring JLARC to review the impact fee deferral requirements, is removed.

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

The expenditure impact of this act is indeterminate but potentially minor for jurisdictions that impose impact fees and have impact fee deferral programs.

PROGRAM ADMINISTRATION COSTS:

Indeterminate - This bill would have minor indeterminate cost increases for local governments that charge administrative fees for impact fee deferrals. The number of impact fees vary per year so the total impact cannot be known in advance. The costs to operate the impact fee deferral program would be shifted to the local government. According to the Joint Legislative Audit and Review Committee (JLARC) almost two-thirds of jurisdictions with impact fee deferral programs report charging an administrative fee, but only 7.6 percent of all deferral approvals were charged an administrative fee.

These administration costs may increase by \$3,000 per jurisdiction, if the number of deferral request remains similar to the 2018 and 2019 program years reported by JLARC.

Local governments with impact fee deferral programs would not be able to charge fees to cover the costs of administrating the impact fee deferral programs. JLARC staff indicate that 60 local governments charge an administrative fee, while in 30 jurisdictions, applicants are free to defer. Of the local governments that charge an administrative fee, the range of costs for impact fee deferral is from \$50 to \$1,200 per single family-home, and the median fee is \$200. There are 13 cities and 1 county that had impact fee deferral request, which also have administrative or lien fees. JLARC's findings of administrative and lien fees for the impact fee deferrals from 2018 to 2019 indicate that builders seeking deferrals were charged \$38,731 for 284 deferral requests. These jurisdictions recorded an average of \$170 per deferral or an average of \$2,767 in administrative fees per jurisdiction. During this time period, 92.4 percent of deferrals came from jurisdictions with \$0 administrative or lien fees (3,464 out of 3,748 deferrals).

LIEN RECORDING COST SAVINGS:

Indeterminate - This legislation may have indeterminate cost savings on local governments that have impact fee deferral programs and require liens recorded against single-family homes. County auditors would no longer be required to record the lien, thereby saving time in the recording process for each instance of an impact fee deferral. In most counties, lien recording and release fees are \$39 each and carry additional costs for multi-page documents. There are 93 cities with impact fee deferral programs authorized within 15 counties statewide, while five counties have impact fee deferral programs. However, the number of recorded liens related to impact deferral fees is not currently known as not all jurisdictions with these programs record liens.

BACKGROUND:

All jurisdictions imposing impact fees under RCW 82.02.050 must have adopted, by September 1, 2016, a deferral system for the collection of impact fees for new, single-family detached and attached residential construction. The Joint Legislative Audit and Review Committee staff identified 107 local governments that collect impact fees and are required to have deferral programs in place in its 2021 report Impact Fee Deferral Programs. Of those, 98 local governments implemented a deferral program and nine did not.

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.

This legislation would have indeterminate but potentially minor revenue reductions for local governments that currently charge administrative fees to implement impact fee deferral programs. There would be further indeterminate revenue decreases in county auditor lien recording and release fees, although the number of such recorded liens is not known.

The Department of Revenue, in its fiscal note for HB 1252, indicated that this legislation would have no revenue impact to taxes administered by the department.

PROGRAM ADMINISTRATION REDUCED REVENUE:

Indeterminate - There may be lost revenue that is commensurate with the costs for program administration in the jurisdictions that charge fees for the impact fee deferral programs. For reference, during 2018 and 2019 reporting years, the Joint Legislative Audit and Review Committee (JLARC) found that 14 jurisdictions charged a total \$38,731 for 284 deferral requests, approximating to an average of \$170 per deferral or an average of \$2,767 in administrative fees, per jurisdiction. JLARC found in its analysis of impact fee deferral programs that while local governments did not readily track the costs of administering deferral programs, the impact to staff resources has been minimal.

LIEN RECORDING REVENUE REDUCTION:

Indeterminate - This legislation may have indeterminate revenue decrease for county auditors that record liens for impact fee deferral programs. County auditors would no longer be required to record the lien, thereby reducing the recording fees that are collected for each instance of an impact fee deferral. In most counties, lien recording and release fees are \$39 each and carry additional costs for multi-page documents. The number of recorded liens related to impact deferral fees is

not currently known as not all jurisdictions with these programs record liens.

SOURCES:

Department of Commerce, 2022 Impact Fee Deferral Program Annual Report

Department of Revenue, FN HB 1252 (2023)

Joint Legislative Audit Review Committee, Impact Fee Deferral Programs (2022)

Local Government Fiscal Note Program, FN HB 1714 (2022)

Municipal Research and Services Center, Impact Fees