## ENGROSSED SENATE BILL 5923

## AS AMENDED BY THE HOUSE

Passed Legislature - 2015 Regular Session

State of Washington 64th Legislature 2015 Regular Session

By Senators Brown, Liias, Roach, Dansel, Hobbs, Warnick, and Chase

Read first time 02/11/15. Referred to Committee on Trade & Economic Development.

- 1 AN ACT Relating to promoting economic recovery in the
- 2 construction industry; amending RCW 82.02.050 and 36.70A.070; adding
- 3 a new section to chapter 44.28 RCW; adding a new section to chapter
- 4 43.31 RCW; and providing an effective date.
- 5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- 6 **Sec. 1.** RCW 82.02.050 and 1994 c 257 s 24 are each amended to 7 read as follows:
  - (1) It is the intent of the legislature:

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- 9 (a) To ensure that adequate facilities are available to serve new 10 growth and development;
- 11 (b) To promote orderly growth and development by establishing 12 standards by which counties, cities, and towns may require, by 13 ordinance, that new growth and development pay a proportionate share 14 of the cost of new facilities needed to serve new growth and 15 development; and
- 16 (c) To ensure that impact fees are imposed through established 17 procedures and criteria so that specific developments do not pay 18 arbitrary fees or duplicative fees for the same impact.
- 19 (2) Counties, cities, and towns that are required or choose to 20 plan under RCW 36.70A.040 are authorized to impose impact fees on 21 development activity as part of the financing for public facilities,

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- provided that the financing for system improvements to serve new development must provide for a balance between impact fees and other sources of public funds and cannot rely solely on impact fees.
- (3)(a)(i) Counties, cities, and towns collecting impact fees 4 must, by September 1, 2016, adopt and maintain a system for the 5 6 deferred collection of impact fees for single-family detached and attached residential construction. The deferral system must include a 7 process by which an applicant for a building permit for a single-8 family detached or attached residence may request a deferral of the 9 10 full impact fee payment. The deferral system offered by a county, city, or town under this subsection (3) must include one or more of 11 12 the following options:
- 13 <u>(A) Deferring collection of the impact fee payment until final</u> 14 inspection;
- 15 <u>(B) Deferring collection of the impact fee payment until</u> 16 certificate of occupancy or equivalent certification; or
- (C) Deferring collection of the impact fee payment until the time of closing of the first sale of the property occurring after the issuance of the applicable building permit.

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- (ii) Counties, cities, and towns utilizing the deferral process required by this subsection (3)(a) may withhold certification of final inspection, certificate of occupancy, or equivalent certification until the impact fees have been paid in full.
- (iii) The amount of impact fees that may be deferred under this subsection (3) must be determined by the fees in effect at the time the applicant applies for a deferral.
- (iv) Unless an agreement to the contrary is reached between the buyer and seller, the payment of impact fees due at closing of a sale must be made from the seller's proceeds. In the absence of an agreement to the contrary, the seller bears strict liability for the payment of the impact fees.
- 32 <u>(b) The term of an impact fee deferral under this subsection (3)</u>
  33 <u>may not exceed eighteen months from the date of building permit</u>
  34 issuance.
- 35 (c) Except as may otherwise be authorized in accordance with (f)
  36 of this subsection (3), an applicant seeking a deferral under this
  37 subsection (3) must grant and record a deferred impact fee lien
  38 against the property in favor of the county, city, or town in the
  39 amount of the deferred impact fee. The deferred impact fee lien,

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- which must include the legal description, tax account number, and address of the property, must also be:
  - (i) In a form approved by the county, city, or town;

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- (ii) Signed by all owners of the property, with all signatures

  acknowledged as required for a deed, and recorded in the county where

  the property is located;
- 7 <u>(iii) Binding on all successors in title after the recordation;</u> 8 <u>and</u>
- 9 <u>(iv) Junior and subordinate to one mortgage for the purpose of</u>
  10 <u>construction upon the same real property granted by the person who</u>
  11 applied for the deferral of impact fees.
- (d)(i) If impact fees are not paid in accordance with a deferral authorized by this subsection (3), and in accordance with the term provisions established in (b) of this subsection (3), the county, city, or town may institute foreclosure proceedings in accordance with chapter 61.12 RCW.
  - (ii) If the county, city, or town does not institute foreclosure proceedings for unpaid school impact fees within forty-five days after receiving notice from a school district requesting that it do so, the district may institute foreclosure proceedings with respect to the unpaid impact fees.
  - (e)(i) Upon receipt of final payment of all deferred impact fees for a property, the county, city, or town must execute a release of deferred impact fee lien for the property. The property owner at the time of the release, at his or her expense, is responsible for recording the lien release.
    - (ii) The extinguishment of a deferred impact fee lien by the foreclosure of a lien having priority does not affect the obligation to pay the impact fees as a condition of final inspection, certificate of occupancy, or equivalent certification, or at the time of closing of the first sale.
- (f) A county, city, or town with an impact fee deferral process on or before April 1, 2015, is exempt from the requirements of this subsection (3) if the deferral process delays all impact fees and remains in effect after September 1, 2016.
- (q)(i) Each applicant for a single-family residential
  construction permit, in accordance with his or her contractor
  registration number or other unique identification number, is
  entitled to annually receive deferrals under this subsection (3) for
  the first twenty single-family residential construction building

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- 1 permits per county, city, or town. A county, city, or town, however,
- may elect, by ordinance, to defer more than twenty single-family 2
- residential construction building permits for an applicant. If the 3
- county, city, or town collects impact fees on behalf of one or more 4
- school districts for which the collection of impact fees could be 5
- 6 delayed, the county, city, or town must consult with the district or
- districts about the additional deferrals. A county, city, or town 7
- considering additional deferrals must give substantial weight to 8
- recommendations of each applicable school district regarding the 9
- 10 number of additional deferrals. If the county, city, or town
- disagrees with the recommendations of one or more school districts, 11
- 12 the county, city, or town must provide the district or districts with
- a written rationale for its decision. 13
- (ii) For purposes of this subsection (3)(g), an "applicant" 14
- includes an entity that controls the applicant, is controlled by the 15
- 16 applicant, or is under common control with the applicant.
- 17 (h) Counties, cities, and towns may collect reasonable
- administrative fees to implement this subsection (3) from permit 18
- 19 applicants who are seeking to delay the payment of impact fees under
- this subsection (3). 20

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- 21 (i) In accordance with sections 3 and 4 of this act, counties,
- 22 cities, and towns must cooperate with and provide requested data,
- 23 materials, and assistance to the department of commerce and the joint
- legislative audit and review committee. 24
  - (4) The impact fees:
- 26 Shall only be imposed for system improvements that are reasonably related to the new development;
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  - (b) Shall not exceed a proportionate share of the costs of system improvements that are reasonably related to the new development; and
- (c) Shall be used for system improvements that will reasonably 30 31 benefit the new development.
- (((4))) (5)(a) Impact fees may be collected and spent only for 32 the public facilities defined in RCW 82.02.090 which are addressed by 33
- a capital facilities plan element of a comprehensive land use plan
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- adopted pursuant to the provisions of RCW 36.70A.070 or the 35
- 36 provisions for comprehensive plan adoption contained in chapter
- 36.70, 35.63, or 35A.63 RCW. After the date a county, city, or town 37
- is required to adopt its development regulations under chapter 36.70A 38
- 39 RCW, continued authorization to collect and expend impact fees
- 40 ((shall be)) is contingent on the county, city, or town adopting or

- revising a comprehensive plan in compliance with RCW 36.70A.070, and on the capital facilities plan identifying:
- $((\frac{a}{a}))$  (i) Deficiencies in public facilities serving existing development and the means by which existing deficiencies will be eliminated within a reasonable period of time;
- 6 ((\(\frac{\((\frac{\((\frac{\((\frac{\((\frac{\((\frac{\((\frac{\((\frac{\((\frac{\((\frac{\((\frac{\((\frac{\((\frac{\((\frac{\((\frac{\((\frac{\((\frac{\((\frac{\((\)}}{\((\))}\))}{\((\))}\))}\) and \) existing public 7 facilities by new development; and
- 8 ((<del>(c)</del>)) <u>(iii)</u> Additional public facility improvements required to serve new development.
- 10 <u>(b)</u> If the capital facilities plan of the county, city, or town is complete other than for the inclusion of those elements which are the responsibility of a special district, the county, city, or town may impose impact fees to address those public facility needs for which the county, city, or town is responsible.
- **Sec. 2.** RCW 36.70A.070 and 2010 1st sp.s. c 26 s 6 are each 16 amended to read as follows:

The comprehensive plan of a county or city that is required or chooses to plan under RCW 36.70A.040 shall consist of a map or maps, and descriptive text covering objectives, principles, and standards used to develop the comprehensive plan. The plan shall be an internally consistent document and all elements shall be consistent with the future land use map. A comprehensive plan shall be adopted and amended with public participation as provided in RCW 36.70A.140. Each comprehensive plan shall include a plan, scheme, or design for each of the following:

(1) A land use element designating the proposed general distribution and general location and extent of the uses of land, where appropriate, for agriculture, timber production, housing, commerce, industry, recreation, open spaces, general aviation airports, public utilities, public facilities, and other land uses. The land use element shall include population densities, building intensities, and estimates of future population growth. The land use element shall provide for protection of the quality and quantity of groundwater used for public water supplies. Wherever possible, the land use element should consider utilizing urban planning approaches that promote physical activity. Where applicable, the land use element shall review drainage, flooding, and storm water run-off in the area and nearby jurisdictions and provide guidance for corrective

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actions to mitigate or cleanse those discharges that pollute waters of the state, including Puget Sound or waters entering Puget Sound.

- (2) A housing element ensuring the vitality and character of established residential neighborhoods that: (a) Includes an inventory and analysis of existing and projected housing needs that identifies the number of housing units necessary to manage projected growth; (b) includes a statement of goals, policies, objectives, and mandatory provisions for the preservation, improvement, and development of housing, including single-family residences; (c) identifies sufficient land for housing, including, but not limited to, government-assisted housing, housing for low-income families, manufactured housing, multifamily housing, and group homes and foster care facilities; and (d) makes adequate provisions for existing and projected needs of all economic segments of the community.
- (3) A capital facilities plan element consisting of: (a) An inventory of existing capital facilities owned by public entities, showing the locations and capacities of the capital facilities; (b) a forecast of the future needs for such capital facilities; (c) the proposed locations and capacities of expanded or new capital facilities; (d) at least a six-year plan that will finance such capital facilities within projected funding capacities and clearly identifies sources of public money for such purposes; and (e) a requirement to reassess the land use element if probable funding falls short of meeting existing needs and to ensure that the land use element, capital facilities plan element, and financing plan within the capital facilities plan element are coordinated and consistent. Park and recreation facilities shall be included in the capital facilities plan element.
- (4) A utilities element consisting of the general location, proposed location, and capacity of all existing and proposed utilities, including, but not limited to, electrical lines, telecommunication lines, and natural gas lines.
- (5) Rural element. Counties shall include a rural element including lands that are not designated for urban growth, agriculture, forest, or mineral resources. The following provisions shall apply to the rural element:
- (a) Growth management act goals and local circumstances. Because circumstances vary from county to county, in establishing patterns of rural densities and uses, a county may consider local circumstances, but shall develop a written record explaining how the rural element

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1 harmonizes the planning goals in RCW 36.70A.020 and meets the 2 requirements of this chapter.

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- (b) Rural development. The rural element shall permit rural development, forestry, and agriculture in rural areas. The rural element shall provide for a variety of rural densities, uses, essential public facilities, and rural governmental services needed to serve the permitted densities and uses. To achieve a variety of rural densities and uses, counties may provide for clustering, density transfer, design guidelines, conservation easements, and other innovative techniques that will accommodate appropriate rural densities and uses that are not characterized by urban growth and that are consistent with rural character.
- 13 (c) Measures governing rural development. The rural element shall 14 include measures that apply to rural development and protect the 15 rural character of the area, as established by the county, by:
  - (i) Containing or otherwise controlling rural development;
- 17 (ii) Assuring visual compatibility of rural development with the surrounding rural area;
- 19 (iii) Reducing the inappropriate conversion of undeveloped land 20 into sprawling, low-density development in the rural area;
- 21 (iv) Protecting critical areas, as provided in RCW 36.70A.060, 22 and surface water and groundwater resources; and
- (v) Protecting against conflicts with the use of agricultural, forest, and mineral resource lands designated under RCW 36.70A.170.
  - (d) Limited areas of more intensive rural development. Subject to the requirements of this subsection and except as otherwise specifically provided in this subsection (5)(d), the rural element may allow for limited areas of more intensive rural development, including necessary public facilities and public services to serve the limited area as follows:
- (i) Rural development consisting of the infill, development, or redevelopment of existing commercial, industrial, residential, or mixed-use areas, whether characterized as shoreline development, villages, hamlets, rural activity centers, or crossroads developments.
- (A) A commercial, industrial, residential, shoreline, or mixeduse area ((shall be)) are subject to the requirements of (d)(iv) of this subsection, but ((shall)) are not ((be)) subject to the requirements of (c)(ii) and (iii) of this subsection.

(B) Any development or redevelopment other than an industrial area or an industrial use within a mixed-use area or an industrial area under this subsection (5)(d)(i) must be principally designed to serve the existing and projected rural population.

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- (C) Any development or redevelopment in terms of building size, scale, use, or intensity shall be consistent with the character of the existing areas. Development and redevelopment may include changes in use from vacant land or a previously existing use so long as the new use conforms to the requirements of this subsection (5);
- (ii) The intensification of development on lots containing, or new development of, small-scale recreational or tourist uses, including commercial facilities to serve those recreational or tourist uses, that rely on a rural location and setting, but that do not include new residential development. A small-scale recreation or tourist use is not required to be principally designed to serve the existing and projected rural population. Public services and public facilities shall be limited to those necessary to serve the recreation or tourist use and shall be provided in a manner that does not permit low-density sprawl;
- The intensification of development on lots containing isolated nonresidential uses or new development of isolated cottage isolated small-scale businesses industries and that principally designed to serve the existing and projected rural population and nonresidential uses, but do provide job opportunities for rural residents. Rural counties may allow the expansion of smallscale businesses as long as those small-scale businesses conform with the rural character of the area as defined by the local government according to RCW 36.70A.030(15). Rural counties may also allow new small-scale businesses to utilize a site previously occupied by an existing business as long as the new small-scale business conforms to the rural character of the area as defined by the local government according RCW 36.70A.030(15). Public services facilities shall be limited to those necessary to serve the isolated nonresidential use and shall be provided in a manner that does not permit low-density sprawl;
- (iv) A county shall adopt measures to minimize and contain the existing areas or uses of more intensive rural development, as appropriate, authorized under this subsection. Lands included in such existing areas or uses shall not extend beyond the logical outer boundary of the existing area or use, thereby allowing a new pattern

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- 1 of low-density sprawl. Existing areas are those that are clearly
- identifiable and contained and where there is a logical boundary 2
- delineated predominately by the built environment, but that may also 3
- include undeveloped lands if limited as provided in this subsection. 4
- The county shall establish the logical outer boundary of an area of 5
- 6 more intensive rural development. In establishing the logical outer
- 7 boundary, the county shall address (A) the need to preserve the
- character of existing natural neighborhoods and communities, (B) 8
- physical boundaries, such as bodies of water, streets and highways, 9
- and land forms and contours, (C) the prevention of abnormally 10
- 11 irregular boundaries, and (D) the ability to provide public
- 12 facilities and public services in a manner that does not permit low-
- 13 density sprawl;

- 14 (v) For purposes of (d) of this subsection, an existing area or
- existing use is one that was in existence: 15
- 16 (A) On July 1, 1990, in a county that was initially required to 17 plan under all of the provisions of this chapter;
- 18 (B) On the date the county adopted a resolution under RCW 36.70A.040(2), in a county that is planning under all of 19 the provisions of this chapter under RCW 36.70A.040(2); or
- (C) On the date the office of financial management certifies the 21 county's population as provided in RCW 36.70A.040(5), in a county 22
- that is planning under all of the provisions of this chapter pursuant 23
- 24 to RCW 36.70A.040(5).
- 25 (e) Exception. This subsection shall not be interpreted to permit
- 26 in the rural area a major industrial development or a master planned
- resort unless otherwise specifically permitted under RCW 36.70A.360 27
- 28 and 36.70A.365.
- 29 (6) A transportation element that implements, and is consistent
- with, the land use element. 30
- 31 (a) The transportation element shall include the following
- 32 subelements:
- (i) Land use assumptions used in estimating travel; 33
- 34 (ii) Estimated traffic impacts to state-owned transportation
- 35 facilities resulting from land use assumptions to assist the
- department of transportation in monitoring the performance of state 36
- facilities, to plan improvements for the facilities, and to assess 37
- the impact of land- use decisions on state-owned transportation 38

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- 39 facilities;
- 40 (iii) Facilities and services needs, including:

- (A) An inventory of air, water, and ground transportation facilities and services, including transit alignments and general aviation airport facilities, to define existing capital facilities and travel levels as a basis for future planning. This inventory must include state-owned transportation facilities within the city or county's jurisdictional boundaries;
- (B) Level of service standards for all locally owned arterials and transit routes to serve as a gauge to judge performance of the system. These standards should be regionally coordinated;
- (C) For state-owned transportation facilities, level of service 10 11 standards for highways, as prescribed in chapters 47.06 and 47.80 12 RCW, to gauge the performance of the system. The purposes of reflecting level of service standards for state highways in the local 13 comprehensive plan are to monitor the performance of the system, to 14 evaluate improvement strategies, and to facilitate coordination 15 between the county's or city's six-year street, road, or transit 16 17 program and the office of financial management's ten-year investment 18 program. The concurrency requirements of (b) of this subsection do not apply to transportation facilities and services of statewide 19 significance except for counties consisting of islands whose only 20 21 connection to the mainland are state highways or ferry routes. In these island counties, state highways and ferry route capacity must 22 be a factor in meeting the concurrency requirements in (b) of this 23 subsection; 24
  - (D) Specific actions and requirements for bringing into compliance locally owned transportation facilities or services that are below an established level of service standard;
  - (E) Forecasts of traffic for at least ten years based on the adopted land use plan to provide information on the location, timing, and capacity needs of future growth;
  - (F) Identification of state and local system needs to meet current and future demands. Identified needs on state-owned transportation facilities must be consistent with the statewide multimodal transportation plan required under chapter 47.06 RCW;
    - (iv) Finance, including:

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- 36 (A) An analysis of funding capability to judge needs against 37 probable funding resources;
- 38 (B) A multiyear financing plan based on the needs identified in 39 the comprehensive plan, the appropriate parts of which shall serve as 40 the basis for the six-year street, road, or transit program required

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- by RCW 35.77.010 for cities, RCW 36.81.121 for counties, and RCW 35.58.2795 for public transportation systems. The multiyear financing plan should be coordinated with the ten-year investment program developed by the office of financial management as required by RCW 47.05.030;
  - (C) If probable funding falls short of meeting identified needs, a discussion of how additional funding will be raised, or how land use assumptions will be reassessed to ensure that level of service standards will be met;
  - (v) Intergovernmental coordination efforts, including an assessment of the impacts of the transportation plan and land use assumptions on the transportation systems of adjacent jurisdictions;
    - (vi) Demand-management strategies;

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- (vii) Pedestrian and bicycle component to include collaborative efforts to identify and designate planned improvements for pedestrian and bicycle facilities and corridors that address and encourage enhanced community access and promote healthy lifestyles.
- (b) After adoption of the comprehensive plan by jurisdictions required to plan or who choose to plan under RCW 36.70A.040, local jurisdictions must adopt and enforce ordinances which prohibit development approval if the development causes the level of service on a locally owned transportation facility to decline below the standards adopted in the transportation element of the comprehensive plan, unless transportation improvements or strategies to accommodate the impacts of development are made concurrent with the development. These strategies may include increased public transportation service, ride sharing programs, demand management, and other transportation systems management strategies. For the purposes of this subsection (6), "concurrent with the development" means that improvements or strategies are in place at the time of development, or that a financial commitment is in place to complete the improvements or strategies within six years. <u>If the collection of impact fees is</u> delayed under RCW 82.02.050(3), the six-year period required by this subsection (6)(b) must begin after full payment of all impact fees is due to the county or city.
- 36 (c) The transportation element described in this subsection (6), 37 the six-year plans required by RCW 35.77.010 for cities, RCW 38 36.81.121 for counties, and RCW 35.58.2795 for public transportation 39 systems, and the ten-year investment program required by RCW 40 47.05.030 for the state, must be consistent.

- (7) An economic development element establishing local goals, policies, objectives, and provisions for economic growth and vitality and a high quality of life. The element shall include: (a) A summary of the local economy such as population, employment, payroll, sectors, businesses, sales, and other information as appropriate; (b) б a summary of the strengths and weaknesses of the local economy defined as the commercial and industrial sectors and supporting factors such as land use, transportation, utilities, education, workforce, housing, and natural/cultural resources; and (c) identification of policies, programs, and projects to foster economic growth and development and to address future needs. A city that has chosen to be a residential community is exempt from the economic development element requirement of this subsection.
  - (8) A park and recreation element that implements, and is consistent with, the capital facilities plan element as it relates to park and recreation facilities. The element shall include: (a) Estimates of park and recreation demand for at least a ten-year period; (b) an evaluation of facilities and service needs; and (c) an evaluation of intergovernmental coordination opportunities to provide regional approaches for meeting park and recreational demand.

- (9) It is the intent that new or amended elements required after January 1, 2002, be adopted concurrent with the scheduled update provided in RCW 36.70A.130. Requirements to incorporate any such new or amended elements shall be null and void until funds sufficient to cover applicable local government costs are appropriated and distributed by the state at least two years before local government must update comprehensive plans as required in RCW 36.70A.130.
- NEW SECTION. Sec. 3. A new section is added to chapter 44.28 29 RCW to read as follows:
  - (1) The joint legislative audit and review committee must review the impact fee deferral requirements of RCW 82.02.050(3). The review must consist of an examination of issued impact fee deferrals, including: (a) The number of deferrals requested of and issued by counties, cities, and towns; (b) the type of impact fee deferred; (c) the monetary amount of deferrals, by jurisdiction; (d) whether the deferral process was efficiently administered; (e) the number of deferrals that were not fully and timely paid; and (f) the costs to counties, cities, and towns for collecting timely and delinquent fees. The review must also include an evaluation of whether the

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- impact fee deferral process required by RCW 82.02.050(3) was effective in providing a locally administered process for the deferral and full payment of impact fees.
- 4 (2) The review required by this section must, in accordance with 5 RCW 43.01.036, be submitted to the appropriate committees of the 6 house of representatives and the senate on or before September 1, 2021.
- 8 (3) In complying with this section, and in accordance with 9 section 4 of this act, the joint legislative audit and review 10 committee must make its collected data and associated materials 11 available, upon request, to the department of commerce.
- 12 (4) This section expires January 1, 2022.
- NEW SECTION. Sec. 4. A new section is added to chapter 43.31 RCW to read as follows:
- (1) Beginning December 1, 2018, and each year thereafter, the department of commerce must prepare an annual report on the impact fee deferral process established in RCW 82.02.050(3). The report must include: (a) The number of deferrals requested of and issued by counties, cities, and towns; (b) the number of deferrals that were not fully and timely paid; and (c) other information as deemed appropriate.
- 22 (2) The report required by this section must, in accordance with 23 RCW 43.01.036, be submitted to the appropriate committees of the 24 house of representatives and the senate.
- 25 <u>NEW SECTION.</u> **Sec. 5.** This act takes effect September 1, 2016.

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