

HOUSE BILL REPORT

HB 1430

As Passed Legislature

Title: An act relating to housing.

Brief Description: Requiring state agencies to prepare housing impact statements.

Sponsors: By Representatives Miloscia, Armstrong, Haigh and Benson.

Brief History:

Committee Activity:

State Government: 2/18/03, 3/4/03 [DP].

Floor Activity:

Passed House: 3/12/03, 95-0.

Passed Senate: 4/11/03, 33-16.

Passed Legislature.

Brief Summary of Bill

- Requires agencies to prepare a housing impact statement if a proposed rule will have a significant adverse impact on housing affordability.

HOUSE COMMITTEE ON STATE GOVERNMENT

Majority Report: Do pass. Signed by 9 members: Representatives Haigh, Chair; Miloscia, Vice Chair; Armstrong, Ranking Minority Member; Shabro, Assistant Ranking Minority Member; Hunt, McDermott, Nixon, Tom and Wallace.

Staff: Marsha Reilly (786-7135).

Background:

The Regulatory Fairness Act was enacted in 1994 to reduce the disproportionate impact of state administrative rules on small business. As part of the rule-making process, an agency must prepare a small business economic impact statement (SBEIS) if: 1) the rule would impose more than minor costs on businesses in an industry; or 2) the Joint Administrative Rules Review Committee requests the agency to do so.

As part of the SBEIS, an agency must analyze the compliance costs of the rule including

lost revenue or sales, and increased labor, equipment, supply, or administrative costs. The SBEIS must determine whether the rule has a disproportionate impact on small businesses. If the rule has such an impact, the agency must, where legal and feasible, reduce the costs on small businesses. Such steps may include:

- 1) Reduce, modify, or eliminate substantive regulatory requirements;
- 2) Simplify, reduce, or eliminate recordkeeping and reporting requirements;
- 3) Reduce the frequency of inspections;
- 4) Delay compliance timetables;
- 5) Reduce or modify fine schedules for noncompliance; or
- 6) Any other mitigation techniques.

A SBEIS must also include a description of the reporting, record keeping, and other compliance requirements of the proposed rule, and the kinds of professional services that a small business is likely to need in order to comply with the rule. The agency must analyze the costs of compliance, including costs of equipment, supplies, labor, and increased administrative costs, and must consider whether compliance will cause businesses to lose sales or revenue.

The agency must include in the SBEIS the steps taken to reduce costs and involve small businesses in the development of the rule. It also must include a list of industries required to comply with the rule.

Summary of Bill:

The intent section of the Regulatory Fairness Act is expanded to address the disproportionate impact that administrative rules have on those providing housing. The new language also states that most providers of housing are small businesses and that the disproportionate impact upon them reduces the availability of housing.

Housing is defined as "*residential housing that is rented or owned by a person or household.*" A provider of housing is defined as a "*business that engages, in whole or in any part, in the development and building of housing.*" A significant adverse impact on housing is defined as "*causing an increase of 5 percent or more on the cost of housing, or on the cost of a component of housing.*" The language is broad enough to encompass costs imposed on landlords, renters, developers, homeowners, or home buyers. A component of housing is not defined.

Agencies are required to consider if a proposed rule will result in a significant adverse impact on the affordability of housing. If it is determined that the proposed rule will have a significant adverse impact, agencies must prepare a housing impact statement (HIS) similar to the process used for a SBEIS. If a HIS is required, it may be included as a component of a SBEIS.

Based on the extent of the significant adverse impact on housing, agencies are required, where legal and feasible, to reduce the impact of housing affordability. In preparing a HIS, an agency must analyze the cost of compliance for housing providers of all sizes. Financing costs are added to the list of costs considered in this first stage.

In contrast to the SBEIS process, in the HIS process an agency must determine whether the proposed rule disproportionately impacts "affordability of housing." To determine the impact on affordability, the agency must compare the rule's cost to housing providers of all sizes with its cost to the largest 10 percent of providers.

The Department of Community, Trade, and Economic Development will consult with the Governor's Housing Advisory Board to develop guidelines for the preparation of housing impact statements.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The bill represents better management of our processes and forces us to plan. Washington lags behind most states in home ownership. The state must analyze impacts to home ownership. Currently, the median house is \$188,600 and median income is \$41,715. The cost of housing is increasing. A quarter of the cost of a new home is attributed to local, state, and national taxes and regulations. The Growth Management Act has had an adverse impact on housing.

Testimony Against: None.

Testified: Representative Miloscia, prime sponsor; and Tonia Neal, Building Industry Association of Washington.