

SENATE BILL REPORT

SB 5752

As of February 26, 2003

Title: An act relating to housing.

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

Sponsors: Senator Roach.

Brief History:

Committee Activity: Government Operations & Elections: 2/19/03.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

Staff: Ronda Larson (786-7429)

Background: The Legislature explains in the Regulatory Fairness Act that administrative rules can have a disproportionate impact on the state's small businesses because of their size. As part of the agency rule-making process, statute requires an agency to prepare a small business economic impact statement (small business statement) if a proposed rule will impose "more than minor costs on businesses in an industry."

Once the economic impact statement requirement is triggered, a two-step analysis occurs. First, the statement must analyze the costs of compliance for all sizes of businesses. Costs considered in this stage include equipment, supplies, labor and administrative costs.

In the second stage, the statement must assess whether the costs of the proposed rule are disproportionately high for small businesses. In this step, the statement must compare costs of compliance for small businesses with costs for the largest 10 percent of businesses. The costs compared between big and small businesses include cost per employee, cost per hour of labor, or cost per \$100 of sales.

Based upon the extent of disproportionate impact on small business, and where legally feasible, an agency must reduce the costs of a proposed rule on small businesses.

Summary of Bill: The impact statement requirements are expanded to cover "providers of housing," regardless of whether a provider is a large or small business. A proposed rule triggers a requirement for a housing impact statement if the rule causes a "significant adverse impact" on the cost of housing or housing components.

A provider of housing is defined as a business that develops housing or components of housing. A significant adverse impact on housing is defined as an increase of 5 percent or more on the cost of housing or components of housing. The language is broad enough to encompass costs imposed on landlords, renters, developers, homeowners, or home buyers. The Department of Community, Trade, and Economic Development consults with the

Governor's Housing Advisory Board to develop guidelines for the preparation of housing impact statements.

The Regulatory Fairness Act's intent section is expanded to state that most providers of housing are small businesses. The new language also states that when an administrative rule disproportionately impacts providers of housing, it reduces the availability of housing to the state's residents.

Once a housing impact statement is required, the agency must undertake a similar two-step analysis as that for small business statements. A housing impact statement 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 the second stage, in contrast to the small business statement, the housing impact statement must determine whether the proposed rule disproportionately impacts "affordability of housing." To determine impact on affordability, the impact statement must compare the rule's cost to housing providers of all sizes with its cost to the largest 10 percent of providers.

Based on the extent of significant adverse impact on the cost of housing or housing components, and where legally feasible, the agency must reduce the impact of the proposed rule on the cost of housing or housing components.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.