



**GOVERNMENT AFFAIRS ANNUAL REPORT
2018**

The Olympia Master Builders Government Affairs program creates a single, united voice for the home building industry in this region. As an advocate for an entire industry, our government affairs team delivers cohesive messaging backed by a knowledge base and credibility on building and construction issues. Collective advocacy carries greater weight than the activism of any one individual or company. If you have interest in making your voice heard, please consider attending our next Government Affairs Committee meeting on January 24th, 2019. Government Affairs meetings are held the 4th Thursday of every month.

The issues covered in this report represent the major advocacy efforts that Olympia Master Builders has engaged on throughout 2018 in Thurston, Mason, Lewis, Grays Harbor and Pacific Counties.

Olympia Missing Middle

“Missing Middle housing” is an umbrella term used to describe a range of housing which exists between traditional, single-family houses and high-rise apartments. It includes accessory dwelling units (ADUs), cottage housing, duplexes, townhouses, triplexes, fourplexes, tiny houses, single room occupancies and courtyard apartments. Allowing Missing Middle housing in a city typically improves housing affordability by reducing regulatory restrictions on housing types, improving zoning regulations to encourage density, and increasing diversity of the housing stock.

In Fall 2017, after months of preliminary research and work sessions with stakeholders, including Olympia Master Builders (OMB) past-president Ron Deering, the Olympia Planning Commission brought forward a slate of proposed building code changes that would allow more missing middle housing to be built within Olympia. Subsequent to providing input to develop this proposal, Olympia Master Builders collaborated with Olympians for People Oriented Places, environmental advocates, non-profits and the wider building community to create a diverse coalition of supporters to advocate for the recommendations in their entirety.

Despite the large coalition of support, the Missing Middle proposal drew vocal criticism from neighborhood groups and other citizen activists. As a result, between Olympia Planning Commission and Olympia City Council, deliberations on the Missing Middle lasted nearly a year. The final Missing Middle ordinance was adopted by Olympia City Council on Monday, November 5, 2018. The ordinance will become effective December 17, 2018. You can review a summary of all the changes via the city’s website at: olympiawa.gov/missingmiddle.

The most significant successes of the Missing Middle project are the deregulation on the construction requirements for ADUs and the establishment of clear standards for converting an existing single-family home into a duplex. In 2019 Olympia will begin a study to investigate the potential for reducing impact fees and general facilities charges assessed to all Missing Middle housing types.

Thurston County Development Code Amendments

The Official Docket of Development Code Amendments is a list of proposals for changes to Thurston County’s development regulations. OMB was asked by the Thurston County Commissioners and staff to provide input on changes to the docket in late 2017. As a result of that initial input, and continued work between OMB and the county, 2018 saw several beneficial changes to the development code:

- **Title 14 (Building Code) Deregulation:** The county engaged in an internal permit audit in order to identify permits that were not revenue positive, did not substantially impact public health or safety, and required excessive staff time to process. In June, the Board of County Commissioners amended the building code to no longer require permits for 14 previously permitted minor construction activities; including permitting for replacing exterior siding, windows and doors that do not require reframing, electric water heaters and flag poles.
- **Administrative Approval of Long Plats:** As a result of the OMB Home Building Bus Tour, Commissioner Edwards identified administrative approval of long plats as adjustment that would reduce the permitting process by several week. Administrative approval for short plats was already allowed. The code amendment allowing for administrative approval of long plats passed in September 2018.
- **E-Inspection Process Development:** At OMB’s request, the county began looking at the viability of electronic inspection of building sites and structures (i.e. barn pole footings). Initial materials outlining the proposed process were presented to the Government Affairs Committee in October, with the finalized e-inspection program anticipated to launch in 2019.

- **Review of Impervious Surface Limits:** The Commissioners are exploring the feasibility of changing Low Impact Development requirements from 10% to 30% to provide more flexibility to homeowners. Discussions are ongoing with staff about the implications from a permit administration perspective.

Thurston County Habitat Conservation Plan

The long-term solution to address endangered species on buildable lands is the establishment of a county-wide habitat conservation plan (HCP). An HCP is the legal means to develop property in compliance with federal endangered species law. Without a county-wide umbrella HCP, properties with endangered species must go through a 12 to 36-month process to get an individual HCP from U.S. Fish and Wildlife Service (USFWS), and then separately obtain building permits from the county. With a county-wide HCP, when an applicant receives a county permit, federal and state species laws will also be automatically met. A HCP will allow permits to be issued year-round, with no need for the seasonal June-October gopher review and provide a predictable permitting process.

Thurston County's HCP must provide full coverage to all development activities, at a price the county will be able to afford over the course of the plan 30-year funding lifespan. USFWS initially estimated the county would need over \$500M in funding, over 30-years, to finance an HCP. This year, after years of negotiation with USFWS, the Board of County Commissioners approved a final draft HCP to be sent to USFW for consideration. If approved, the proposed HCP will cost Thurston County tax payers only 1/10th of the initial amount assessed by USFWS. The process for federal review is often lengthy but this is a significant step forward in protecting rural land use.

Mazama Pocket Gopher Interim Permitting Process

Until the county-wide HCP is adopted, Thurston County residents and builders will still need to rely on Thurston County's Interim Permitting Process. Due to the work of OMB and Thurston County Commissioners, the process has improved significantly since 2014, with more opportunities to make changes before the 2019 gopher review season.

Weeks before the start of the 2018 Gopher season, Thurston County received notice that USFWS had experienced budget cuts that resulted in two staff biologists, who had been providing field inspections, no longer being available. OMB was able to work with the Commissioners, county staff and the local branch of USFWS to respond to the funding and staffing shortage. The principal solution was to allow the use of private biologists for the first time and included the establishment of two training sessions that resulted in over 40 individuals being certified to perform field inspections. At OMB's urging, the county agreed not to charge a fee to review a report from a private biologist who had completed USFWS training.

The Commissioners also decided to allow more flexibility regarding the months that the site visits must be completed. As a result, 2018 saw an improvement in gopher soil permit processing times. In 2019, we will continue refining the inspection process. OMB will focus on limiting inspection to lands proximate to the area of construction, ensuring there is appropriate scientific rationale for all standards, and encouraging that minor projects with minimal impact on gopher soil be exempted from the Interim Permitting Process or be provided a less costly path for approval.

Hirst Decision on Exempt Wells

On January 19, the Legislature passed ESSB 6091. The legislation was intended to respond to the 2016 Washington State Supreme Court Hirst Decision, which significantly limited counties ability approve building permits for properties that would need to drill a new well. ESSB 6091 is commonly referred to as the Hirst Fix and allowed rural homebuilding to continue again and set out requirements for all future well-based water consumption.

The permitting process for construction that requires new wells depends on which watershed (or WRIA) the property is located in. To get a building permit for sites in the Chehalis/Nisqually, Deschutes or Kennedy Goldsborough watersheds property owners must provide a well report with proof of adequate water supply, pay a \$500 fee, limit water use to domestic purposes, with a gallon per day limit that differs depending on the watershed, and may also be required to record any additional restrictions on the property title.

This new law also mandates that WRIAs without watershed planning units must establish Watershed Restoration and Enhancement Committees (WRECs) under the supervision of the Department of Ecology. Every WREC is required, by statute, to have at a representative of the residential construction industry. WRIA #13 (Deschutes) and WRIA #14 (Kennedy-Goldsborough) are in OMB territory and as such, OMB is participating as the homebuilding representative. These WRECs were established in October and will continue until 2020.

There is approximately \$300M in state funding available to WRECs to fund projects that will help offset the consumptive use of all new residential wells drilled after January 2018. OMB's presence on these two WREC will encourage the committees to prioritize projects that focus on improving in-stream level and discourage solutions that pass the full cost of water mitigation on to the consumer.

Lacey Annexation Amendments

In May, Lacey contacted OMB with draft language for a proposed amendment to the city's annexation procedure for review and feedback. The amendment would require annexation to occur prior to a property being served by any city-owned utility, unless they receive land use approval prior to Sept 01, 2018. The intent of the amendment was to provide clarity in the annexation process between the Lacey and Thurston County in the urban growth area.

On July 17th, the Planning Commission recommended adoption of the following language to city council "Owners of properties lying outside of, but contiguous to City boundaries shall be annexed prior to being served by a City-owned utility. Owners of properties lying outside of but not contiguous to the City must legally commit their property to eventual annexation prior to being served by the City's utility system." At OMB's urging, language was also included to provide for exceptions in the case of public health emergencies. This language and the public health exemption stipulation both passed and have taken effect.

Olympia Reroofing Inspection Process

In an effort to be more compliant with the International Building Code, the Building Official for Olympia modified the city's reroofing inspection standards, requiring a 'midway' inspection during commercial or residential reroofs to ensure underlying framework is up to code. These changes were formulated and implemented without any feedback from OMB members. As a result of this lack of communication, the new inspection standards caused severe concern amongst the OMB's roofers. Roofer members brought the issue to the attention of the OMB Board of Directors, who directed the Government Affairs team to formally oppose the change.

Subsequent to the concerns provided by OMB, Olympia revised the residential reroof bulletin guidelines to clarify the procedures related to inspector access, impending weather and covering a roof prior to inspection. Additional language was added to the 'Reroofing Guidelines' handout and became an informational condition attached to the permit. The city stipulated that inspectors will only go on the roof during commercial inspections and that city inspectors are not permitted to use on-site safety equipment. A formalized process for e-inspection, through photographic evidence, was created for roofing projects that were subject to inclement weather. These changes allow better compliance with code while not unduly slowing the completion of roofing projects.

Olympia Parks Impact Fee Rate Increase

Late in the afternoon on October 22, OMB Government Affairs received notice from the Olympia Parks Department that as part of the 2019 budget process, they would be presenting council a proposal to increase the Parks Impact Fee Rate. Notice of this proposed change was less than 24 hours prior to presentation to council. The rate increase was the result of a recently completed Park Impact Fee Rate study, designed to examine the amount of funds needed to maintain park capacity over the next 15 years of population growth.

Based on the report, funding to maintain the current park capacity would fall primarily to new construction, requiring over \$60M in impact fees to be gathered over 15 years. The calculations in the report proposed a rate increase of 26%-38% for most housing types in order to meet that funding goal. For single family home construction, this rate increase represented a \$1,857 increase, a 17% increase in the first year and a total increase of 33.2% over the two-year implementation period.

In response, the Government Affairs team sent a letter of opposition to all members of City Council, issued a call to action to the full OMB membership urging them to email or call councilmember directly, provided public comment at a council session, and issued a press release on the topic, which resulted in a front-page article in the Olympian. As a result, City Council unanimously expressed concern that an impact fee increase was at odds with the city's broader affordable housing goals. The Finance Committee has recommended a legislative freeze at the 2018 rates and OMB continues to work with councilmembers and Park's staff to provide information on other forms of infrastructure funding that are more stable and equitable than impact fees.

Olympia Water Meters for New Construction

In early 2018 several departments at City of Olympia altered their administrative policies related to accounting and water use. The result was that single-family home developments began being charged the cost of full utilities upon installing water meters to check plumbing and test fire suppression systems. This change in administrative procedure added significant additional cost, monthly, on each unit being built. When OMB brought the issue to Community Planning and Development, staff indicated that they had not previously been aware of the impact of the administrative changes in other departments.

The Deputy Director of Community Planning spearheaded the response, convening a multi-department meeting and creating a procedure to resolve the issue. Home builders can now file for a "new construction water meter" permit to request a water meter, with a preliminary fee of \$50. Internal accounting has been fixed so these water meters no longer trigger full utilities. At final inspection, the meter will be read and if less than \$50 worth of water was used, the builder will be refunded the difference. If more than \$50 was used, they will be assessed the difference. This resolution of this issue was done quickly and cooperatively and is a prime example of how relationship building at the staff level allows OMB's advocacy program to be uniquely effective.

Mason County E-Permitting

Due to an expiring contract with their old permitting software, Mason County informed OMB that they would be transitioning to SmartGov in early fall. With the new software, the county proposed to start encouraging the use of electronic submission for all permitting. Launch of the system was originally slated for September but several issues with the parent company caused delays.

While the county intends on running the traditional permitting system and the e-system concurrently for several months, the Mason County Chapter has expressed substantial concern about the proposal to eventually move all permits to digital submission. OMB has had an initial meeting with County staff and Commissioner Kevin Shutty to express concerns around issues that typical arise with e-permitting and has offered to consult on best practices for

managing the two systems concurrently after launch. A one-on-one with David Windom, Director of Mason County Community Services Department is scheduled in December to further discuss how e-permitting has functioned in other OMB jurisdictions.

Olympia Heritage Review Commission

Throughout 2018, there were several job-specific issues between builders and the Olympia Heritage Review Commission, prompting OMB to meet with city staff to discuss ways to improve the overall Heritage Review Process. While many of the issues were project specific, city staff and OMB identified several areas for process improvement and better communication between the building community and members of the Heritage Review Commission.

Solutions include increased training of permit counter staff to better identify and explain the restrictions on historical properties at the time of permitting, the creation of handouts detailing preferred practices for windows and siding, clarification of the underlying code and appeals processes, changes to Heritage Review Commission administrative practices, and in the long-term, scheduling workshops with the OMB Remodeler's Council and the Heritage Review Commission to directly communicate preservation goals as well as the practical considerations of a project. The city is in the process of hiring a new Historical Preservation Officer, who will begin work on these changes once hired.

Community Engagement

In addition to direct advocacy efforts, the OMB government affairs program continues to build community-wide partnership by participating in the following groups, committees and events:

- Missing Middle Coalition
- Thurston Thrives Housing Action Team (HAT)
- Thurston Chamber Business and Economic Development Committee
- Shelton/Mason Chamber of Commerce Government Affairs Committee
- Olympians for People Oriented Places
- Thurston County Shoreline Master Program Stakeholder Groups
- TRPC Transportation Policy Board
- EDC 2018 Regional Economic Forecast & Expo
- Multiple Housing Summits in OMB Counties

If you have questions or would like any additional information related to any of the issues discussed in this report, please contact OMB's Government Affairs Director, Erin Hall, at 360-754-0912 or erin@omb.org.