

# HOUSE BILL REPORT

## SSB 5964

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**As Reported by House Committee On:**  
Local Government

**Title:** An act relating to consolidated local permit review processes.

**Brief Description:** Concerning consolidated local permit review processes.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Mullet, Kuderer, Gildon and Saldaña).

**Brief History:**

**Committee Activity:**

Local Government: 2/22/22, 2/23/22 [DPA].

**Brief Summary of Substitute Bill**

- Requires local governments to exclude interior alterations within a residential unit from site plan review except under certain conditions.
- Requires the Department of Commerce (Department) to establish a Consolidated Permit Review Grant Program to administer grants to local governments that agree to comply with a specified permit processing timeline for permit applications for projects involving less than 5,000 square feet of building area and that establish a fee structure to enable the local government to continue providing review within that timeline.
- Requires the Department to administer a grant program for local governments that are transitioning from paper permit review systems to electronic systems.
- Requires the Department to convene a Digital Permitting Process Work Group to examine aspects of digital permitting systems, with a report to the Legislature and the Governor due August 1, 2023.

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### HOUSE COMMITTEE ON LOCAL GOVERNMENT

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

**Majority Report:** Do pass as amended. Signed by 7 members: Representatives Pollet, Chair; Duerr, Vice Chair; Goehner, Ranking Minority Member; Griffey, Assistant Ranking Minority Member; Berg, Robertson and Senn.

**Staff:** Kellen Wright (786-7134).

**Background:**

The Growth Management Act.

The Growth Management Act (GMA) requires that certain counties, and the cities within those counties, engage in planning for future population growth. Currently, 28 counties fully plan under the GMA, and 11 do not.

The centerpiece of the planning process is the comprehensive plan. The city or county (local government) must also adopt development regulations to implement the comprehensive plan. Development regulations include zoning ordinances, official controls, subdivision ordinances, and other regulations. Development regulations must also establish and implement time periods for local governments to take action on each type of project permit application. These time periods should not exceed 120 days unless the local government makes written findings that additional time is needed to process specific types of applications.

Project Review and Permitting.

Before developing land, a developer must obtain permits from the local government allowing the development. These permits can include land use permits, environmental permits, building permits, and others, and are known as project permits. When a county or city planning under the GMA is reviewing a project, its comprehensive plan and development regulations must serve as the basis for the project permit review. In determining if a proposed project is consistent with the comprehensive plan and development regulations, the local government must consider the type of land use; the level of development or density proposed; the infrastructure needed to service the development; and the characteristics of the development, such as development standards.

When a project permit application is submitted, a local government planning under the GMA must respond within 28 days to notify the applicant whether the application is complete or incomplete, and must notify other governments and agencies of the application if they may have jurisdiction over some aspect of the project. An application is complete if it meets the procedural submission requirements and is sufficient for continued processing, even if some additional information or project modifications may be subsequently required. If the local government does not respond to the applicant by the deadline for determining if the application is complete, the application is deemed complete by default.

All local governments, including those not planning under the GMA, are required to combine the environmental review process with the project permit review process, and to

hold no more than one open record hearing and one closed record appeal on a project permit application, excluding a determination of significance determined under the State Environmental Policy Act. An open record hearing is a hearing that creates a record through testimony and submission of evidence. An open record hearing can be held prior to the local government's decision on a project permit, or held after the decision if the decision is appealed. A closed record appeal is an administrative appeal from the decision on the project permit application that is held on the record established in the open record hearing with little or no new evidence allowed.

Local governments planning under the GMA must also provide for an integrated project permit process in addition to the combined environmental review and project permit review procedure requirement applicable to all local governments. This process must include:

- the determination of completeness;
- the provision of notice of the application to agencies or governments with jurisdiction over the project;
- an optional consolidated review process on two or more project permits;
- the provision of a combined open record hearing held with another government or agency;
- the provision of a single report providing all of the decisions made on all included project permits;
- the holding of no more than one consolidated open record hearing on appeal, if a local government provides for an appeal of its project permit decisions; and
- the provision of notice of the local government's decision to the applicant, the county assessor's office, and to any person who requested notification or submitted substantive comments on the application.

#### Site Plan Review.

A site plan is a detailed drawing providing building and site details. Site plan review includes the consideration of physical details that relate to the site and the type of use, and can address landscaping, design, parking, and other site-specific issues. Local governments can adopt requirements and processes for site plan review to occur.

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#### **Summary of Amended Bill:**

An interior alteration is a construction activity that does not modify the site layout or current use, and that does not involve exterior work adding to the building's footprint. Local governments must exclude project permits for such interior alterations within a residential unit that is located on a lot with four or fewer residential units from site plan review, as long as:

- the alterations do not result in additional sleeping quarters;
- it does not result in nonconformity with federal emergency management agency substantial improvement thresholds; or
- the alterations do not require upgraded fire access or fire suppression systems due to

an increase in the total square footage or valuation of the structure.

Local governments may still use means other than site plan review to ensure that interior alterations do not increase nonconformities with zoning or development regulations.

Subject to appropriations, the Department of Commerce (Department) must establish a Consolidated Permit Review Grant Program (CPRGP). The CPRG may award grants to local governments that commit to:

- issuing final decisions for permit applications for projects involving less than 5,000 square feet of building area within 45 business days or 90 calendar days, whichever period is longer, and providing for consolidated review for building permit applications, which may include an initial technical peer review of the application for completeness by all elements of the local government that have jurisdiction; and
- establishing an application fee structure that allows the jurisdiction to continue providing consolidated permit review within the 45-business-day or 90-calendar-day time frames, with the fee structure determined no later than August 1, 2023.

The 45-business-day period does not include any day in which the local government is waiting for information, documentation, or some other necessary action from the applicant before the permit can continue to be processed.

As part of this consolidated review process, the local government may contract with a third-party business to conduct consolidated permit review or to act as additional inspection staff. Expenditures for this purpose may be reimbursed through grants.

A local government that is awarded a grant must provide the Department with a quarterly report indicating the average and maximum time for permit review during the local government's participation in the grant program.

If the local government is unable to meet the terms of the grant, it will enter a 90-day probationary period. If it is still unable to meet the terms at the end of the probationary period, the local government is no longer eligible to receive grants through the CPRGP.

Subject to appropriations, the Department must establish a grant program for local governments to transition from paper filing systems to electronic filing systems with capacity for video storage and which are capable of processing digital permit applications, virtual inspections, and electronic review.

Subject to appropriations, the Department must convene a Digital Permitting Process Work Group (Work Group) to examine software for local governments to encourage streamlined and efficient project review. The Department, in consultation with the Association of Washington Cities and the Washington State Association of Counties, must appoint members to the Work Group. These members must include, but are not limited to, representatives from local governments, building industries, and building officials.

The Work Group must convene by August 1, 2022, and submit a final report to the Governor and the appropriate committees of the Legislature by August 1, 2023. The final report must evaluate the need for digital permitting systems, review of the barriers to adoption of digital permitting systems, conduct a cost-benefit analysis of a statewide digital permitting system, and provide budgetary, administrative policy, and legislative recommendations for establishing a statewide system of digital permit review or to increase the adoption of such a system.

**Amended Bill Compared to Substitute Bill:**

The amendment makes the following changes to the substitute bill:

- provides that the project permits for interior alterations that must be excluded from site plan review are those for alterations within a residential unit located on a lot with four or fewer residential units;
- provides that local governments are not precluded from using means other than site review to ensure that interior alterations do not increase nonconformity with zoning or development regulations;
- replaces residential permit applications with permit applications for projects involving less than 5,000 square feet of building area as the type of permits that must be processed within the provided deadlines in order for a local government to qualify for the CPRGP; and
- provides that the deadline by which the permits must be processed is the longer of 45 business days or 90 calendar days, with days during which the local government is waiting for a response or other action from the applicant not counting toward the 45 business days.

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**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on February 21, 2022.

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

**Staff Summary of Public Testimony:**

(In support) All stakeholders agree that there is no need for exterior site work or site review when only interior modifications are being made. This bill streamlines the process by eliminating an unnecessary review. The heart of the bill are the grants to local governments that agree to expedite the permitting process. This bill would allow the state to partner with local governments to provide new tools and incentives for permit processing, and there is a real need for additional tools. The state would provide initial funding, but the local government would have to analyze what fees it needs to assess to continue providing the

expedited processing afterward. This will help local governments to get ready for faster processing moving forward. This bill is a good carrot to get local governments to process permits more quickly, and the encouragement for consolidated permit review will simplify the process. Developers are willing to pay more if the permits are processed more quickly. It should be clarified that the clock stops running when the local government is waiting to hear back from the applicant on the 45-business-day deadline, but not on the 90-calendar-day deadline. Allowing for local governments to contract with outside groups can help provide surge capacity to provide services, especially in mid-size cities. There is a lot of money going into housing, but currently there is a huge backlog of local permitting. Permit delays are a serious problem for both existing homes and new ones. Using paper systems slows the process down, and the bill would help transition to an electronic system. The study in the bill would help to see if there is merit to the idea of a statewide permitting system.

(Opposed) None.

(Other) The new funding and tools are appreciated, as they help to support complex planning policies. The new study and grant programs could be useful, as could conversion from paper to electronic systems. There should be more clarity around the timelines, and the time should stop running when a permit application is sent back for additional information.

**Persons Testifying:** (In support) Senator Mark Mullet, prime sponsor; Brent Ludeman, Building Industry Association of Washington; Carl Schroeder, Association of Washington Cities; and Paul Jewell, Washington State Association of Counties.

(Other) Marian Dacca, Washington Association of Building Officials.

**Persons Signed In To Testify But Not Testifying:** None.