

## Housing Feasibility Study Concept

The City Council has set aside up to \$50,000 to complete a feasibility analysis to forward implementation of Olympia's draft housing action plan. The plan recognizes an urgent need for more housing supply in the city, including increasing the number of units affordable to low-income households. The City wants to structure its zoning, regulations and incentives in a way that encourages needed housing development. As a first step, this feasibility analysis will help the City determine how best to structure the multifamily tax exemption (MFTE) and understand its effect on the likelihood of encouraging private sector development, including both market rate and low-income affordable units, within specific areas.

### Main Questions

What will it take to get significant residential development, including preserving and constructing more low-income affordable units, in Olympia's High Density Neighborhood Areas? How can Olympia influence our local housing market to include affordable units without unintended consequences?

*We will start to get at these questions with this study but subsequent analysis may be required to assess different tools. Staff recommends starting with the multifamily tax exemption because it is one of our most powerful tools, we think it needs to be restructured to maximize outcomes and doing so is already on our work plan. Once the MFTE variable is established it will be easier to further assess how it works in conjunction with other tools.*

### Concept for Analysis

- Conduct a proforma analysis of up to three different redevelopment sites within each geographic area specified:
  - Existing Multifamily Tax Exemption (MFTE) area: Downtown and adjacent east and west corridors
  - The Capital Mall High Density Neighborhood Area
  - The Pacific/Martin Way Triangle High Density Neighborhood Area
- Use applicable building types to identify economic factors that affect residential development feasibility in these areas, including the addition of units affordable to low-income households.
- Analyze Olympia's multifamily tax exemption program and how this can best be structured to achieve an increase in residential development, including private sector development of units affordable to low-income households, in each area. Look at options in the statute related to SB 5287 as part of this consideration.
- Include analysis of adaptive reuse of commercial to residential use in applicable locations.
- Integrate and summarize the information from the feasibility studies and the development proposals and describe the development planning implications of the findings.

### Questions

- How should Olympia's multifamily tax exemption (MFTE) be tailored (% of units, AMI threshold, other eligibility criteria, etc.) in each geographic area to maximize outcomes?
- Specifically, the current maximum income threshold for using Olympia's 12-YR MFTE is 115% of area median income. The City wants to lower that threshold. What is the lowest income threshold we can establish in each geographic area and maintain a viable program?
- In each area, how well could [the current or a newly tailored MFTE program] work alone or in combination with other existing incentives such as a density bonus, 80% impact fee exemption or parking exemption (where applicable) to encourage inclusion of low-income affordable units?
- Does Olympia still need the 8-year MFTE in downtown in order to encourage mixed use, market rate housing development?
- Could the 8-year program be structured to include an affordability element?
- Does Olympia need the 8-year MFTE in the other geographic areas in order to encourage mixed use, market rate housing development?

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