

1. This program provides partial rebates (50%) of the LOTT capacity development charge (CDC) to encourage development of affordable housing within LOTT's service area. This is a two-year pilot program to measure the efficacy of reducing development costs to foster development of low income housing and to assess potential impacts to utility revenue.
2. Program funding has been set to allow 50% rebates of CDCs for up to 300 ERUs in total over the biennium.
  - a. Each of the partner cities – Lacey, Olympia, and Tumwater – are eligible to provide rebates for up to 75 ERUs for eligible projects during that time period.
  - b. If a partner city does not utilize their full allocation, they may reallocate the unused funds to another partner city for eligible projects at their discretion.
  - c. The remaining 25% represents a shared pool of funding the partner cities can request to use for rebates. Requests for use of shared pool funding that have been reviewed and are supported by the Regional Housing Council will be considered a higher priority for access to shared pool funds. Use of the shared pool funds will be reviewed and determined through review and approval of the LOTT Board of Directors.
3. To be eligible for rebate, the project must be a new development that involves a new connection to the LOTT system and that is verified by the partner city to provide permanent supportive housing or low income housing. In assessing project eligibility, partner cities must confirm the project meets at least one of the following criteria:
  - a. Permanent supportive housing that will serve individuals transitioning from homelessness.
  - b. Low income housing that has a cost (rent or mortgage payment) less than or equal to 30% of gross monthly household income that when adjusted for size, is at or below eighty percent (80%) of the area median income, as annually adjusted by the U.S. Department of Housing and Urban Development.
4. Each partner city has discretion to require additional criteria for eligibility above and beyond that listed above, and has discretion to determine which projects qualify for funding under its respective share of program funding. Partner cities should indicate if the projects qualify for other public fund programs that can further support their eligibility, such as:
  - a. Projects that qualify for Home Fund dollars through the Regional Housing Council.
  - b. Projects that qualify for Low Income Housing Tax Credits through the Washington State Housing Finance Commission.
  - c. Projects that qualify through the Department of Commerce Housing Trust Fund.
  - d. Projects that qualify for other public funding support programs to encourage development of low income housing, such as impact fee waivers, grant funding, etc.
  - e. Other criteria as set forth by the partner city.
5. The city providing sewer service (or Thurston County if property is located outside city limits) must require the developer/owner to record a covenant approved by the city/county and LOTT protecting affordability for a period of at least 30 years, though in perpetuity is preferred.
  - a. The covenant must require that, if the property is sold at a value that exceeds low income criteria at the time of sale, or is otherwise converted to a use other than for low income housing as defined in the covenant, the property owner must pay 50% of the applicable CDC in effect at the time of the sale/conversion.
  - b. Covenants required by this section must be recorded with the Thurston County Auditor and rerecorded each time the property ownership is transferred.
  - c. The city/county is required to audit the property for compliance with the covenant at least once every three years, and to report audit results to LOTT as completed.
  - d. If the audit results determine a property is no longer in compliance with low income housing criteria, the city/county will take action to notify the owner and collect CDC fees due.

6. Any questions regarding implementation of this program will be addressed by LOTT staff and forwarded as appropriate to the LOTT Board of Directors.
7. Application for rebate must be received prior to connection to the sewer system and prior to payment of charges and fees related to connection to the LOTT sewer system. Rebates will not be granted retroactively.
8. The rebate percentage will apply to the LOTT CDC in effect at the time of payment of charges related to connection to the sewer system. For example, if an application is approved November 2023, but payment of charges is not made until January 2024, the rebate will be calculated using the connection fee in effect for 2024.
9. Rebates are granted as “instant” rebates at the time of payment of charges and fees related to connection to the LOTT sewer system. This CDC rebate has no cash value. Payment of the LOTT Capacity Development Charge (CDC) (connection fee) is made by the property owner/developer to the city providing sewer service, along with other applicable permit and connection fees prior to connection of service. At the time of payment, the property owner will be responsible for the amount of the LOTT CDC not covered by the pre-approved rebate.
10. The rebate must be redeemed and the remaining portion of the LOTT CDC and other fees must be paid within 12 months of rebate approval. The city must communicate to LOTT when the fees are paid. If the fees are not paid within this time period, the city must communicate with the property owner/developer about the reason for the delay. The city then determines whether to rescind the rebate approval or grant an extension and communicates that decision to LOTT. The city can choose to allow one or more 6 month extensions for extenuating circumstances, at the City’s discretion. The City will notify the property owner of their status (and cc LOTT) and explain that if payment is not made within the prescribed deadline, that the LOTT rebate approval is rescinded, and that the property owner will need to reapply, with no guarantee of approval or available funding. In cases where the city revokes the permit for connection due to an unacceptable delay in the property owner’s efforts to complete the project and connect to the sewer system, the LOTT rebate approval will be rescinded and the property owner will need to reapply, with no guarantee of approval, available funding, or program continuation.
11. This pilot rebate program is being offered to provide an incentive to encourage development of affordable housing within LOTT’s service area. This benefits LOTT and the community by:
  - a. Contributing to public health and environmental health by reducing incidents of homelessness.
  - b. Helping protect water quality of local groundwater, lakes, streams, and inlets by reducing incidents of homelessness.
  - c. Meeting community expectations that LOTT contribute to regional housing goals by addressing barriers to development of affordable housing units.
  - d. Gathering data that can help guide future efforts to encourage development of affordable housing.
12. Partner city staff will share information to assist with assessment of the pilot program effort. This information may include number of applications, types of applications approved and denied, applications pending, reasons for delay in payment of fees, reasons for delay in project construction and connection to the sewer system, challenges in moving approved projects forward to development, types of projects that are high priority in each community, gaps in meeting housing goals, and ideas for improving program efficacy.

## Rebate Approval Process

1. The property owner or developer will complete the Application for Rebate form and submit it to the city – Lacey, Olympia, or Tumwater – that will be providing utility services to the property. The city may require supplemental information from the property owner or developer at its discretion to facilitate city evaluation of the application. In cases where the property is located in unincorporated Thurston County, the County may take the lead in accepting the application and reviewing eligibility, and then forward the request for rebate to the city providing sewer service.
2. City staff will evaluate the Application and determine if the project meets LOTT criteria as low income or permanent supportive housing, and any additional criteria required by the respective city. The city will then determine if they wish to approve funding the CDC rebate for the project under their respective share of program funding and/or through shared pool funding.
3. If so, city staff will complete the City Approval form to document eligibility and submit the two forms – Application for Rebate and City Approval – to LOTT. Scanning and emailing forms is sufficient. City staff should send the forms to Wendy Steffensen, LOTT Environmental Project Manager, at [wendysteffensen@lottcleanwater.org](mailto:wendysteffensen@lottcleanwater.org), and cc Lisa Dennis-Perez, Director of Environmental Planning & Communications at [lisdennis-perez@lottcleanwater.org](mailto:lisdennis-perez@lottcleanwater.org).
4. If the application involves request to utilize shared pool funds, city staff will work with the Regional Housing Council (RHC) to vet the request prior to finalizing and submitting the City Approval form to LOTT. This process in general would involve:
  - The city project proponent would present the project, its merits, and the amount of the shared pool requested, to the RHC technical team.
  - The technical team would make a recommendation to the RHC to consider.
  - The RHC would review the project and discuss the shared pool funding request in the context of regional housing priorities. They would then form a recommendation to approve or disapprove.
  - The RHC recommendation would be recorded on the City Approval form and any relevant additional information, such as RHC meeting notes, would be attached for LOTT Board of Directors consideration.
5. LOTT staff would review the application for completeness and confirm eligibility. Funding requests that involve use of Shared Pool funds would be forwarded to the LOTT Board of Directors for consideration and final approval. This could be in the form of an action on a Board business meeting consent calendar.
6. LOTT staff would then provide city staff with notification of rebate approval, which city staff will forward to the property owner/developer.
7. At the time of payment to the city for charges related to issuance of the permit to connect to the public sewer system, the property owner will receive the rebate as an “instant” rebate off the cost of the LOTT connection fee. The property owner will be responsible to remit to the city payment of the remaining portion of the LOTT connection fee not covered by the pre-approved rebate.
8. The City will notify LOTT that the rebate has been “redeemed” and the remainder of the LOTT connection fee paid. This may occur as an email notification or as information that accompanies the city’s remitting of LOTT connection fees to LOTT.
9. If issues arise with delay of payment or delay of connection to the sewer system by the property owner, and the City chooses to revoke the permit for connection, the City will notify LOTT so that the LOTT rebate can also be rescinded.
10. For questions, contact Wendy Steffensen, [wendysteffensen@lottcleanwater.org](mailto:wendysteffensen@lottcleanwater.org), (360) 528-5773, or Lisa Dennis-Perez, [lisdennis-perez@lottcleanwater.org](mailto:lisdennis-perez@lottcleanwater.org), (360) 528-5719.