



Low-Income Housing GFC Exemption

Utility Advisory Committee
June 1, 2023



Proposal

Incentivize low-income housing, by providing a partial exemption of general facility charges at the time of development.



Background

This topic was previously brought before you in May 2022 by Eric Christensen, former Water Resources Director. UAC supported the concept and requested staff return with recommendations for implementation.



General Facility Charges (GFCs)

What is a General Facility Charge?

The connection charge paid by the property owner seeking to connect to the utility system – the charge includes not only the physical connection to the system, but the “equitable share of the cost of such system”.



General Facility Charges (GFCs)

Key Characteristics

- General facility charges are one-time charges, not ongoing rates.
- Properties which are already developed do not pay general facility charges unless they “redevelop”.
- General facility charges are for capital only, in both their calculation and in their use.
- General facility charges may include both future and existing cost components.



GFCs Regulatory Authority

RCW [35.92.025](#)

Authority to make charges for connecting to water or sewerage system—Interest charges.

Cities and towns are authorized to charge property owners seeking to connect to the water or sewerage system of the city or town as a condition to granting the right to so connect, in addition to the cost of such connection, such reasonable connection charge as the legislative body of the city or town shall determine proper in order that such property owners shall bear their equitable share of the cost of such system. The equitable share may include interest charges applied from the date of construction of the water or sewer system until the connection, or for a period not to exceed ten years, at a rate commensurate with the rate of interest applicable to the city or town at the time of construction or major rehabilitation of the water or sewer system, or at the time of installation of the water or sewer lines to which the property owner is seeking to connect but not to exceed ten percent per year: PROVIDED, That the aggregate amount of interest shall not exceed the equitable share of the cost of the system allocated to such property owners. Connection charges collected shall be considered revenue of such system.



GFCs Regulatory Authority

RCW [35.92.020](#)

Authority to acquire and operate sewerage and solid waste handling systems, plants, sites, or facilities—Classification of services and facilities for rates—Assistance for low-income persons.

(5) A city or town may provide assistance to aid low-income persons in connection with services provided under this chapter.



Low Income Housing Definition

Olympia Municipal Code 15.04.020 Definitions

Y. "Low-income housing" means housing with a monthly housing expense that is no greater than thirty percent (30%) of eighty percent (80%) of the median family income adjusted for family size for Thurston County, as reported by the United States Department of Housing and Urban Development.



Comprehensive Plan

Policy PL16.5

Support affordable housing throughout the community by minimizing regulatory review risks, time and costs and removing unnecessary barriers to housing, by permitting small dwelling units accessory to single-family housing, and by allowing a mix of housing types.

Policy PS9.7

Work with jurisdictional partners through the county-wide Home Consortium, to fund affordable housing projects that serve low- and very low-income residents.



Housing Action Plan

Strategy 1

Increase the supply of permanently affordable housing for households that make 80% or less of the area median

Strategy 3

Expand the overall housing supply by making it easier to build all types of housing projects



One Community Plan

Focus Area #2

Expand affordable housing options and homelessness prevention

2.1.d: Reduce costs and other barriers to building more housing stock of all types

2.2.c Adjust policies and codes to facilitate affordable housing construction



Precedence

Olympia Municipal Code 15.04.060 Exemptions

D. Upon application by the owner, a partial exemption of not more than eighty percent (80%) of park, transportation and school impact fees, with no explicit requirement to pay the exempted portion of the fee from public funds, may be granted to a low-income housing development.



Precedence (cont.)

Olympia Municipal Code 13.08.205 Sewer general facility charges

C. The Sewer GFC will be waived for properties served by an existing OSS that connects to the public sewer within two years following notice by the City of eligibility for a GFC waiver. Notice will be sent to property owners when sewer becomes available to their property. Notice will be effective as of the date it is sent to the property owner by certified first class mail. Properties that fail to connect to the public sewer within two years following such notice shall be charged the Sewer GFC in effect at the time of connection to the public system.



Precedence (cont.)

LOTT Affordable Housing Support Pilot Program

Beginning in February 2023, LOTT began offering a partial exemption of 50% off the LOTT capacity development connection charge for new housing units that qualify as low income or permanent supportive housing. The project must be a new development that involves a new connection to the LOTT system. This is a two-year pilot program.



Staff Recommendation

Staff recommends exempting GFCs in the following fashion:

Housing types

- Multi-family and single-family rental

Qualifications

- Development creates new units of affordable housing which will not cost more than 30% of the monthly income of a household whose income is 80% or less of Area Median Income by household size.

Percentage

- Exempt GFCs by 50%; consistent with LOTT program.



GFC Discount Eligible Projects

Site Name	Site Address	Year Built	Drinking Water	Wastewater	Storm and Surface Water
Billy Frank Jr	318 State Avenue NE	2016	\$23,631.00	\$41,341.50	\$0.00
Merritt Manor	3335 Martin Way East	2017	\$8,398.00	\$51,124.59	\$0.00
Unity Commons 1	161 Pattison St. NE	2020	\$14,920.00	\$215,778.98	\$13,589.88
Family Support Center	3524 7th Avenue SW	2023	\$29,721.21	\$173,730.20	\$27,003.12
Housing Authority of Thurston County	204 Lilly Rd. NE	2023	\$52,243.00	\$78,458.80	\$17,722.21
Unity Commons 2	2828 Martin Way E	2024	TBD	TBD	TBD
Landsdale Point	911 Burr Rd. SE	2024	TBD	TBD	TBD



GFC Eligible Exemptions 50%

	Drinking Water				Wastewater				Storm & Surface Water		
Year	Actual	Low-income Eligible (50%)	%		Actual	Low-income Eligible (50%)	%		Actual	Low-income Eligible (50%)	%
2021	\$904,156.13	\$0.00	0.0%		\$991,560.20	\$0.00	0.0%		\$225,701.05	\$0.00	0.0%
2020	\$928,314.00	\$7,460.00	0.8%		\$1,964,552.14	\$107,889.49	5.5%		\$262,796.99	\$6,794.94	2.6%
2019	\$576,720.87	\$0.00	0.0%		\$425,287.48	\$0.00	0.0%		\$381,640.31	\$0.00	0.0%
2018	\$856,185.00	\$0.00	0.0%		\$729,851.72	\$0.00	0.0%		\$198,864.08	\$0.00	0.0%
2017	\$1,005,430.00	\$4,199.00	0.4%		\$1,932,474.79	\$15,769.53	0.8%		\$283,265.36	\$0.00	0.0%
2016	<u>\$1,299,872.00</u>	<u>\$11,815.50</u>	0.9%		<u>\$1,926,600.36</u>	<u>\$20,670.75</u>	1.1%		<u>\$272,057.51</u>	<u>\$0.00</u>	0.0%
Total	\$5,570,678.00	\$23,474.50	0.4%		\$7,970,326.69	\$144,329.77	1.8%		\$1,624,325.30	\$6,794.94	0.4%



Options for Offsetting Revenue Loss

There are three options for offsetting revenue lost due to the exemption of GFCs. Staff recommend option #3.

- 1) Cover costs using the General Fund
- 2) Increase GFC rates associated with existing rate payers
- 3) Increase GFC rates on all new development



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