



September 7, 2023

Olympia City Council
PO Box 1967
Olympia, WA 98507-1967

Dear Mayor Selby and Councilmembers:

SUBJECT: UAC Support of Discounting General Facility Charges for Affordable Housing Development

The City's Utility Advisory Committee (UAC), having recently reviewed and discussed General Facility Charges (GFC), - the connection charge paid by the property owner seeking to connect to the city's utility system - recommends to Council a discount on the GFC by 50% as an incentive to encourage the development of more affordable housing in our city.

The UAC previously received details and discussed this topic several times over the past year, which noted that "affordable housing," as currently defined, is housing that does not cost a household more than 30% of its monthly income. At our recent June 1, 2023, meeting, we received an updated briefing from the City's Affordable Housing Program Manager and Utilities staff on how the City might incentivize low-income housing by providing a partial exemption of general facility charges at the time of development. City staff also reviewed the incentives and consideration of requirements with the UAC, which included the following details for this proposed program:

- 1) Single-family and multi-family rental developments are eligible for the discount.
- 2) 100% of the units must be constructed as affordable housing.
- 3) Housing must be constructed as a rental unit for households whose income does not exceed 80% of Area Median Income by household size.
- 4) Rent and utilities associated with the unit must not exceed a monthly cost equal to or more than 30% of a household's income.
- 5) Revenue loss associated with the incentive will be offset by an increase of GFC rates on all new development by 2% for the initial year of the program.
- 6) Staff will reassess offset needs annually to ensure a revenue neutral incentive that does not impact the utility's ability to maintain and improve critical infrastructure in the future.
- 7) The property will be encumbered by a covenant recorded at the Thurston County Auditor and the units will continue to meet the affordability requirements for perpetuity, or a minimum of 30 years.
- 8) If the covenant is violated, the property owner will be required to repay the 50% discount at the current year GFC fees.

- 9) Housing units eligible for the program will be reviewed every three years for ongoing compliance with the affordability criteria.
- 10) The City's Land Use and Environment Committee will also receive an annual update on this incentive program and consider its effectiveness. The UAC will also be updated on a similar basis as well.

After the presentation and meeting deliberations, the UAC unanimously voted to support the need for a newly created affordable housing incentive program, as outlined above. It is our understanding that City staff anticipates bringing this item forward to Council, by the end of the year, for your consideration and final approval.

We also understand the City's Legal Counsel has concluded this incentive program is compliant with Washington State law. The program also aligns with other City of Olympia affordable housing incentive programs and will mirror the LOTT Clean Water Alliances' (LOTT) 50% rebate on new connection fees associated with affordable housing development.

Thank you again for the opportunity to share the UAC's recommendation. We truly hope this type of incentive program will further encourage developer participation and facilitate the building of much needed affordable housing throughout our community.

Please contact me at dbloom@ci.olympia.wa.us or Vice Chair Kristin Lamson at klamson@ci.olympia.wa.us, if you have any questions.

Sincerely,



DENNIS BLOOM

Chair, Utility Advisory Committee

DB/lw

cc. UAC Members

Rich Hoey, Assistant City Manager

Mark Russell, Public Works Director

Jesse Barham, Water Resources Director and UAC Staff Liaison

Mike Vessey, Drinking Water Utility Director

Leonard Bauer, Community Planning and Development Director

Aaron BeMiller, Finance Director