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Utility Advisory Committee

Consideration of a Partial Exemption of General Facilities Charges for Development Creating New Units of Affordable Housing

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Title

Consideration of a Partial Exemption of General Facilities Charges for Development Creating New Units of Affordable Housing

Recommended Action

Move to recommend a 50% exemption of general facility charges for development creating new units of affordable housing.

Report

Issue:

Whether to approve the recommendation to exempt 50% of general facilities charges in effect at the time of payment for development creating new units of affordable housing which costs no more than thirty percent (30%) of gross monthly household income for households that when adjusted for household size have an income equal to or below eighty percent (80%) of the area median income. Whether to offset revenue lost due to the recommended exemption via an increase in general facility charges for new development.

Staff Contact:

Jacinda Steltjes, Affordable Housing Program Manager, City Manager's Office, 360.753.8482

Presenter:

Jacinda Steltjes, Affordable Housing Program Manager

Background and Analysis:

The City wishes to encourage affordable housing and has adopted several measures intended to incentivize such development. One measure that was brought before the Utility Advisory Committee in May 2022 is the partial exemption of general facility charges for development creating new units of affordable housing. The UAC requested at that time that staff return with recommendations on housing types eligible to receive the exemption, qualifications for an exemption, the percent of exemption, and how revenue lost due to the exemption will be recaptured.

Qualifications and Percentage of Exemption

Staff recommends exempting fifty percent (50%) of general facility charges in effect at the time of

payment for single-family and multi-family rental housing development that creates new units of affordable housing which costs no more than thirty percent (30%) of gross monthly household income for households that when adjusted for household size have an income equal to or below eighty percent (80%) of the area median income, as annually adjusted by the U.S. Department of Housing and Urban Development.

Method for Offsetting Associated Lost Revenue

Staff further recommends offsetting lost revenue associated with the fifty percent (50%) exemption of general facility charges for development creating new units of affordable housing by slightly increasing general facility charges associated with new development.

Climate Analysis:

The GFC fees are calculated using a per unit formula. This means multi-family development is subject to higher GFC costs. Exempting 50% of GFCs encourages the development of more high-density housing and reduces urban sprawl.

Equity Analysis:

Partially exempting general facility charges makes it more cost efficient for property owners to develop their property into housing that is affordable for the City's low-income residents. Creating more affordable housing is a racial justice issue; black, indigenous, people of color, and other historically marginalized groups are over-represented in Thurston County's homeless population and homeless crisis response system. For example, according to the Housing Needs Assessment produced by Thurston Regional Housing Council in January 2021, while black, non-hispanic residents of Thurston County represent four percent (4%) of the total county population, they account for ten percent (10%) of the County's population experiencing homelessness.

Neighborhood/Community Interests (if known):

N/A

Options:

1. Approve the recommendation to exempt 50% of general facility charges in effect at the time of payment for development creating new units of affordable housing and account for lost revenue by increasing general facility charges for new development by up to 2%.
2. Approve the recommendation to exempt 50% of general facility charges in effect at the time of payment for development creating new units of affordable housing and account for lost revenue via another method.
3. Instruct staff to continue working on this issue and bring it back to the Utility Advisory Committee at a future date.

Financial Impact:

Minimal revenue lost due to a fifty percent (50%) exemption of general facilities charges for the development of new affordable housing units would need to be offset. This could be done with minimal impact by increasing general facility charges for new development by one-half (.5%) to two percent (2%).

Attachments:

N/A