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City Council

Public Hearing on a Proposed Designation of Certain Additional Residential Areas for the Purposes of the Multi-Family Tax Exemption

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Title

Public Hearing on a Proposed Designation of Certain Additional Residential Areas for the Purposes of the Multi-Family Tax Exemption

Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Hold a Public Hearing on the proposed a proposed designation of certain additional residential areas for the purposes of the Multi-Family Tax Exemption (MFTE).

Report

Issue:

Whether to a Public Hearing on the proposed a proposed designation of certain additional residential areas for the purposes of the MFTE.

Staff Contact:

Darian Lightfoot, Director of Housing and Homeless Response, 360.753.8033

Presenter(s):

Darian Lightfoot, Director of Housing and Homeless Response

Background and Analysis:

In January 2022, the City of Olympia sought proposals from qualified consultant teams for research and recommendations to forward objectives of Olympia's 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.

The research study focused on the MFTE to help the City determine how best to structure the program and understand its effect on the likelihood of encouraging private sector development,

including both market rate and low-income affordable units, and potential boundary expansion. Using the findings of the study, the City is recommending a policy pivot and structuring the exemption as an affordable housing development program. This will include a focus on incentivizing the 12-year program while deepening the affordability requirements and marketing other City development incentives to help the project pencil. If the developer chooses to forgo including affordable units in their projects, they will pay a fee in lieu which will be directed to the City's affordable housing fund for future projects. The fee amount will be dependent on the varied geographic feasibility throughout the city.

This public hearing is intended to review the boundary amendments to the MFTE allowable area. The current ordinance requires a public hearing be held if the boundary is intended to change. Staff will bring all public comments delivered at the hearing along with any written comments back to council on December 12th, as an Other Business item to allow council to review the full package of policy recommendations.

Climate Analysis:

The recommended provisions to revise the MFTE program will incentivize more housing development in areas designated in the City's comprehensive plan for high-density housing mixed with commercial and other services. These areas of mixed-use, higher density development are along urban corridors that provide the most frequent transit service in the region. These areas are also high priorities for further investments in facilities that will support increased use of active transportation, such as biking and walking.

The recommendations are for policy choices that attempt to strengthen incentives for overall housing construction while increasing the number of housing units that would be affordable to low-income individuals. These recommendations will increase the likelihood of meeting comprehensive plan goals for denser housing and the climate action plan strategies for land use and transportation.

Equity Analysis:

This proposal and boundary expansion is directly addressed at incentivizing housing construction, including housing that is more affordable to people with lower incomes.

There is significant nationwide data that increasing housing supply has a positive impact on the cost of renting or buying housing. Analysis accompanying the MFTE proposal demonstrates that it is, and can be to a greater extent, an effective tool to increase housing supply. This will benefit all residents and workers in Olympia, current and future.

It is unlikely to create or accentuate existing disparities in access to housing. In Olympia, roughly 37% of all households are cost burdened, with almost half of those households being severely cost-burdened. BIPOC members of our community are more likely to be cost-burdened than others. This proposal's incentives to provide more housing units will eventually lead to less pressure on housing costs, particularly in the rental market. This will ease increases to rents. Supply of more housing units of all kinds will help meet demand overall and have generalized benefits for all households.

Approximately 42% of Olympians have a household income of less than \$50,000. Approximately 15% of our population live in poverty. In 2021, 13.5% of people in Olympia were reported to have a

disability, up from 12.9% in 2016. People living in poverty, or with lower incomes or a disability of some kind, may not own cars or multiple cars per household and need access to transit. The proposed incentives are targeted in areas of the City that receive the most frequent transit service. They would eventually provide a greater number of housing options in areas close to transit, providing more options for individuals in those groups to choose housing that meets their transportation needs.

The proposed program policies will also generate additional funding for the City's affordable housing fund. A flexible funding source will position to the City to leverage additional housing at a deeper affordability level. Currently, the City does not have discretionary funds to allow for projects like these that need local investment to score higher on state and federal funding applications. Extremely low-income housing will provide options for residents with compounding barriers to housing and face the harshest discrimination in the housing system, as outlined in the Assessment of Fair Housing.

Neighborhood/Community Interests (if known):

Affordable housing projects are of great interest to the City. CPD is currently conducting a Capital Mall Triangle subarea plan and including the MFTE as a possible development incentive for the thousands of units projected that will be needed to achieve the intent of the subarea plan. Neighbors are curious on how the encouraged density in these areas will impact their way of living, along with how the tax exemption works and who is impacted by the exemption.

Financial Impact:

The expanded boundary for the Multi-Family Tax Exemption will allow for more projects to be included in the program. The current program has very little financial impact on the city outside of staff time to administer the program. The proposed changes, however, require a fee-in-leu provision that is intended to generate additional funding for affordable housing projects. The specific amount is yet to be projected. Staff are also proposing the application amount be increased to better represent the staff time needed to appropriately operate the program.

Options:

1. Hold a Public Hearing to address the Multi-Family Tax Exemption Boundary and direct staff to bring forward and Ordinance amending the Multi-Family Tax Exemption Boundary.
2. Hold a Public Hearing to address the Multi-Family Tax Exemption Boundary and direct staff to amend the proposed boundary and bring forward an Ordinance amending the Multi-Family Tax Exemption Boundary.
3. Take no action.

Attachments:

Draft Ordinance
Draft Policies and Map