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## City Council

### Impact Fee Abatement Briefing

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**Title**

Impact Fee Abatement Briefing

**Recommended Action**

**Committee Recommendation:**

The Land Use and Environment Committee considered this issue on April 18, 2018. The committee discussed the matter and raised questions about its implementation. They recommended moving discussion forward to a City Council Study Session.

**City Manager Recommendation:**

Receive the information, and provide staff with feedback and direction regarding possible approaches to impact fee waivers and exemptions. Briefing only; no action requested.

**Report**

**Issue:**

Whether to receive a briefing on impact fee abatement and provide staff with feedback and direction regarding approaches to impact fee waivers and exemptions.

**Staff Contact:**

Keith Stahley, Director Community Planning and Development Department 360.753.8227

**Presenter(s):**

Keith Stahley, Director Community Planning and Development Department

**Background and Analysis:**

The City of Olympia charges impact fees to defray the costs that new development has on the City's infrastructure. The City charges impact fees for parks as well as transportation. These fees are used as one of the funding sources to help to construct new parks and transportation facilities. The City also collects impact fees for the Olympia School District.

Impact fees are a commonly used funding source for infrastructure construction in the State of Washington. Most cities in the urban part of the state collect impact fees. In Thurston County the cities of Olympia and Tumwater collect impact fees as does Thurston County. The City of Lacey does not collect impact fees; however, it does collect State Environmental Policy Act mitigation fees that serve a similar purpose.

Some communities choose to reduce impact fees for affordable housing projects. This practice is known as an Impact Fee Abatement or as an Impact Fee Waivers and Exemption.

Impact fee waivers or exemptions are less commonly used; however, many other cities throughout the state have adopted impact fee waiver and exemption regulations. A summary of communities and their regulations is attached. The Revised Code of Washington Chapter 82.02.060 Impact Fees that authorizes impact fee waivers and reductions is included in the summary.

An exemption may be granted under RCW 82.02.060(3) by local governments for low-income housing. A partial exemption of not more than 80 percent of impact fees may be granted, in which event there is no “explicit requirement” to pay the exempt portion of the fee from public funds “other than impact fee accounts.” On the other hand, a local government may provide a full waiver (which staff interprets to be 100 percent of impact fees), in which event the “remaining percentage of the exempted fee must be paid from public funds other than impact fee accounts.” Staff interprets this language to mean that the City would have to fund 20 percent of the impact fee with public funds (other than from impact fee accounts).

RCW 82.02.060(3) also conditions the exemption by requiring the developer to record a covenant that prohibits using the property for any purpose “other than for low-income housing,” and said covenant must address price restrictions and household income limits for the low-income housing. Subsection (3) also requires that if the property is converted to a use other than for low-income housing, the property owner must pay the applicable impact fees in “effect at the time of conversion.” These covenants must be recorded with the Auditor. The City’s exemption must also acknowledge that a school district who receives impact fees “must approve any exemption under subsection (2) of [RCW 82.02.060] or . . . subsection (3).”

Finally, per RCW 82.02.060, “low-income housing” means “housing with a monthly housing expense, that is no greater than thirty percent of eighty percent of the median family income adjusted for family size, for the county where the project is located, as reported by the United States department of housing and urban development.”

### **Neighborhood/Community Interests:**

Affordable housing is an issue of community-wide interest.

### **Options:**

1. Receive the briefing and provide feedback and direction to staff on next steps.
2. Receive the briefing and do not provide feedback and direction to staff on next steps.
3. Do not receive the briefing.

### **Financial Impact:**

In 2018 impact fees for a single family dwelling including parks, transportation and school fees total \$14,381 in the City of Olympia. Impact fees for a multiple family unit are \$8,678 and for a multiple family unit in Downtown are \$3,892. Staff estimates that approximately 40 units per year may qualify for this exemption reducing impact collections by between \$155,680 to \$575,240 depending on the location and type of unit constructed.

Members of the Housing Action Team are working on a model that will allow different scenarios to be examined to see what the effect is on a housing project pro forma for changes in impact fees and degrees of affordability. This tool won't be available until this summer.

**Attachments:**

Summary Impact Fee Waiver and Exemption Regulations and RCW Chapter 82.02.060.

2018 Impact Fee Schedule

2018 Fee Schedule for Single Family Development