DEVELOPMENT INCENTIVES

INTRODUCTION

To spur implementation of the DTS, the City needs a set of development incentives, such as funding sources, fiscal incentives, regulatory measures, programs, and collaborative activities. Except for investment in public facilities and infrastructure and through public/private partnerships, municipalities are very limited in their ability to initiate land development. A city's primary role is to set the stage so that private investment is encouraged, and occurs in line with community goals. There are a number of proven implementation tools that can increase the feasibility of private development by reducing process time and costs, and other financial incentives.

The chart on the following pages summarizes the incentives that are already in effect, or could be included in the City's "Tool Box." Many of the incentives support or encourage certain types of private sector action, while others are regulatory requirements. There are also planning and financing tools that support City actions, such as street improvements; these actions can stimulate private investment by making the development setting more attractive. A more detailed description of these tools is in the implementation "Tool Box" in Appendix C.1.

The chart indicates which incentives are most applicable or provide substantial benefit to the priority development objectives identified in the DTS public process. These objectives are arrayed across the top of the chart and their importance is described in the narrative that follows. Recommendations for enhancing the current set of incentives are presented at the end.

Development Incentives Applicability/Benefit Summary

For more details refer to the Development Incentives toolbox in the appendices

Key:

● Substantial benefit ○ Some or indirect benefit ✓ In effect currently ∗ Priority to add + In effect, but action recommended

			Tool	Implementation Status	Desired Outcome: Moderate or High Income Housing (1)	Low Income Housing (1)	Homeless Response	Adaptive Reuse	Street/Sidewalk Improvements	Sea Level Rise Response	Business Assistance (2)	Historic Preservation
Planning and Zoning	Z	1	Expedited permit review process		○	○	○	○			○	○
Planning and Zoning	Z	2	Streamlined permit process	✓	○	○	○	○			○	○
Planning and Zoning	Z	3	SEPA Exemptions / Planned Action	∗	●	●	●	●				●
Planning and Zoning	Z	4	Inclusionary Zoning			●	○					
Planning and Zoning	Z	5	Eliminate off street parking requirements	+	●	●	○	●			○	●
Planning and Zoning	Z	6	Enact high-density and multiple family zoning	✓	●	●	●	●			○	●
Planning and Zoning	Z	7	Allow Accessory Dwelling Units	✓	●	●						
Planning and Zoning	Z	8	Establish Density Bonuses	✓	●	●	●	●			○	●
Capital Improvements	C	9	Capital Facilities Plan projects	+	○	○		○	●	●	○	○
Capital Improvements	C	10	Transportation Benefit District	✓					●			
Capital Improvements	C	11	Metropolitan Parks District	✓	○					○	○	
Capital Improvements	C	12	Local Improvement District	∗	○	○			●	●	○	○
Capital Improvements	C	13	Parking & Business Improvement Area (RCW 35.87A)	+			○	●	●		●	○
Capital Improvements	C	14	Community Revitalization Financing (RCW 39.89)		○	○	○	○	●	●	○	○
Capital Improvements	C	15	Community Economic Revitalization Board (CERB)	+					●	●	○	
Capital Improvements	C	16	Port District (RCW 53)	✓	●	●		●	●	●		○
Capital Improvements	C	17	Community Development Block Grant (CDBG)	✓		●	○	●	●	●	●	●
Capital Improvements	C	18	Community Development Corporation			○			○	○	○	
Partnerships	P	19	Community Renewal Area (RCW 35.81)	+	●	●	○	●	●	●		●
Partnerships	P	20	Public Development Authority (RCW 35.21.730-31.35.755)		●	●	○	●	●	●	●	●
Partnerships	P	21	Sale of Surplus Public Land	+	●	●	●	●				

(1) *The DTS recommends the City form a more comprehensive housing strategy and program to determine priority housing tools to add.*
(2) *List does not include all business tools offered through regional economic development partners.*

			Tool	Implementation Status	Desired Outcome: Moderate or High Income Housing (1)	Low Income Housing (1)	Homeless Response	Adaptive Reuse	Street/Sidewalk Improvements	Sea Level Rise Response	Business Assistance (2)	Historic Preservation
Partnerships	P	22	Housing Authority of Thurston County	✓		●	○					
Partnerships	P	23	Local Housing Levy			●	●					
Partnerships	P	24	Partner with non-profit			●	●	●				
Partnerships	P	25	Main Street Program	✓			○		○		●	○
Partnerships	P	26	Commercial Land Trust								●	
Fiscal Incentives	F	27	Historic property tax 'special valuation' (RCW 84.26)	+								●
Fiscal Incentives	F	28	Federal Historic Preservation Tax Credits	+								●
Fiscal Incentives	F	29	New Market Tax Credits (not available in Downtown)			○		●				
Fiscal Incentives	F	30	HUD Section 108 loan guarantee	✓	●	●		●	●	●	○	○
Fiscal Incentives	F	31	EB-5	✓	●			●				●
Fiscal Incentives	F	32	Reduced building / planning / impact / SDC fees	+	●	●		●			○	●
Fiscal Incentives	F	33	Brownfields Area-Wide or Property Specific Grants / Loans	+	●	●	●	●		●		●
Fiscal Incentives	F	34	Multi-Family Tax Exemption (OMC 5.86)	✓	●	●		●				●
Fiscal Incentives	F	35	HOME Investment Partnership Program (federal)			●	●					
Fiscal Incentives	F	36	Low-Income Housing Tax Credit (federal / state)	✓		●						
Fiscal Incentives	F	37	Housing Trust Fund (state)	✓		●						
Fiscal Incentives	F	38	Affordable Housing ReUse District			●						
Fiscal Incentives	F	39	HUD 202 supportive housing for the elderly			○						
Fiscal Incentives	F	40	Community Land Trust			○	○					
Fiscal Incentives	F	41	Limited-Equity Housing Cooperative		○							
Fiscal Incentives	F	42	Commercial Linkage fees			○	○					
Fiscal Incentives	F	43	Tax vacant land or donate it to non-profit developers			●	●					
Fiscal Incentives	F	44	Safety Improvement Grants	*				●			●	●
Fiscal Incentives	F	45	Facade Improvement Grants or Loans	*	○	○		○			●	○
Fiscal Incentives	F	46	Main Street Tax Credit Incentive Program (RCW 82.73)	✓							●	
Fiscal Incentives	F	47	Grow Olympia Fund (GOF) Loans	✓				○			●	

PRIORITY DEVELOPMENT OBJECTIVES

Their Importance and Most Important Incentives

The Downtown Strategy is, of course, directed to a much broader range of community goals than strictly development. However, land development or redevelopment to produce space for new and expanding activities supports fundamental goals such as economic vitality, livability, and equity. To establish a rationale for the development incentives, the importance of each of the priority development objectives is described below.

The recently constructed 123 Fourth Avenue mixed use building provides an example of higher end market rate housing.

HOUSING DIVERSITY

An overarching goal is for Downtown to provide a diversity of housing options for people with a full range of incomes and needs. While there is some overlap, many of the development incentives that encourage market rate housing (generally affordable for people who make around median income or higher) differ from those that provide housing for people with lower incomes (below 80% of median). For example, HUD housing subsidies are generally available to households that make below 80% of median income. There are also incentives that support housing and services to help people who are experiencing homelessness transition into housing. For this reason, the incentives chart breaks the housing objectives into three priority objective categories: for people with moderate to higher income, for those with lower income, and for those experiencing homelessness.

HOUSING FOR RESIDENTS WITH MODERATE TO HIGHER INCOMES

Although there is currently increased activity in market rate housing development, Downtown lacks a substantial moderate to high income population that would add pedestrian life and commercial activity, and help achieve the Comprehensive Plan goal of adding 5,000 new Downtown residents over the next 20 years.

Recently constructed and planned multi-story mixed use projects, plus the DTS market report and feasibility analysis indicate that some new market rate housing may be feasible without new City incentives. Yet feasibility is marginal and some properties are constrained by site-specific challenges such as contaminated soils or need for considerable retrofits to meet current building and energy codes. The development of these properties would certainly benefit from additional incentives to help offset associated costs.

Low income and subsidized housing can also be attractive additions to Downtown's character. The beautifully restored Kelly Building shown above includes 8 units of subsidized housing and fully occupied ground floor retail space.

In the short term, more market rate housing is needed to increase housing diversity in Downtown. The most effective incentives fall into two categories:

- Incentives to enhance the feasibility of private investment such as: the Multifamily Tax Exemption (MFTE), SEPA exemptions, and reduced permit and impact fees. The City already makes use of both the MFTE and reduced impact fees.
- Facilitation tasks that make sites available for development such as: public/private partnerships, the Community Renewal Area (CRA), the sale of surplus public lands, and Public Development Authorities. The City recently adopted a CRA along with initiating two public private/partnerships that include housing, and recently has sold surplus lands to serve low income and transitional housing needs.

Both categories can be effective in stimulating new market rate housing development because they reduce development costs and provide development opportunities. The incentives should be applied throughout Downtown. The facilitation tools can be applied in areas where the City owns suitable sites. As the DTS feasibility analysis showed, the MFTE is a particularly valuable incentive for market rate housing.

HOUSING FOR RESIDENTS WITH LOWER INCOMES

Even though low income and subsidized housing currently comprise a relatively large percentage of Downtown residential units, to ensure inclusivity and equity, as growth occurs, Olympia must continue to support the development of affordable housing options for lower income households. The most immediate challenge is to retain existing affordable dwellings as noted in Action H.4.

From the chart, it can be seen that a large proportion of the incentives apply to the low income affordable housing objective. The most effective fall into four categories:
1) incentives to enhance the feasibility of private investment,
2) actions that make sites available for development,
3) incentives that leverage other funds, grants, and subsidies,
and 4) mandatory provisions such as inclusionary zoning.

The first two categories, which are described as market rate incentives, can be effective at spurring affordable options for lower income households because they can be used by the Housing Authority or non-profit housing providers as well as by private developers. In conjunction with the County, the

City makes use of category three incentives, such as CDBG funding and HUD Section 108 Loans. Action H.3 sets forth what additional incentives should be considered with guidance from a more comprehensive housing strategy as noted in Action H.1.

Mandatory provisions, such as inclusionary zoning which requires a portion of new units be offered at specified prices or rental rates, are not recommended at this time. These should be applied carefully. If the development economics are marginal as is currently the case in Downtown Olympia, any requirement for below-market rent housing will deter any housing investment. Inclusionary zoning becomes more workable when there is a very high demand for new housing, as is the case in Seattle. Since this will not be the case in Olympia in the near future, inclusionary zoning is not recommended in this DTS.

HOUSING AND SERVICES FOR PEOPLE EXPERIENCING HOMELESSNESS

Through DTS public engagement events and opinion surveys, participants singled out homelessness as a critical concern. Social, economic, and environmental goals for Downtown cannot be fully realized until this issue is more adequately addressed. The need for citizens to have shelter is a primary concern. Also of concern are the impacts to public spaces, businesses, and Downtown's ability to draw visitors and investment.


Photo credit: Dan Sunde

The Billy Frank Jr. Place provides 43 affordable housing units for veterans, young adults, and disabled individuals who have experienced homelessness.

This particular set of incentives focuses on development, thus does not address this objective holistically. See the Retail Element and Homelessness, Street Dependency and Social Services Element for more, including a recommended action for the City to convene a broad range of stakeholders to form an action plan leading to a more coordinated response to address both needs and impacts to Downtown. As the chart indicates, the City already uses most of the potential incentives that address homelessness directly; ultimately what is needed is a more coordinated and resourced regional response.

Providing safe and appropriate housing for the lowest income population is a daunting challenge and requires subsidies from a variety of sources. Shelters, permanent housing, and services for the homeless require housing development, facilities management, and access to needed services. These types of facilities and services require some powerful public/private/non-profit measures and activities such as partnerships with non-profit housing developers and a local housing levy, in addition to those that are in place.

An example of an adaptive use that has become a popular landmark.

ADAPTIVE REUSE

Adaptive reuse is the "repurposing" of an existing older building for a new use. Downtown already features a number of older industrial and office buildings that have been handsomely adapted for uses such as specialty fabrication shops, technical, professional and creative arts studios, sports clubs, coffee houses, lofts, and brew pubs. Such repurposed buildings can be important opportunities to preserve Downtown's character and stimulate new investment. Opportunities for adaptive reuse exist particularly in the Artisan/Tech character area.

The type of incentives most helpful for adaptive use depends on the use being accommodated. For example, the Multifamily Tax Exemption applies if housing is proposed, while the EB-5 program, which is administered by the Economic Development Council, is applicable if the project produces jobs. If the building requires minor exterior repairs or renovation, a façade improvement program or help with required retrofits such as structural assessment or sprinklers can be effective. And, if the site requires environmental clean-up or adaptation to sea level rise, then assistance with brownfield remediation or sea level response measures will be very helpful.

STREET/SIDEWALK IMPROVEMENTS

Street improvements constructed in the 1980s have helped keep Downtown strong.

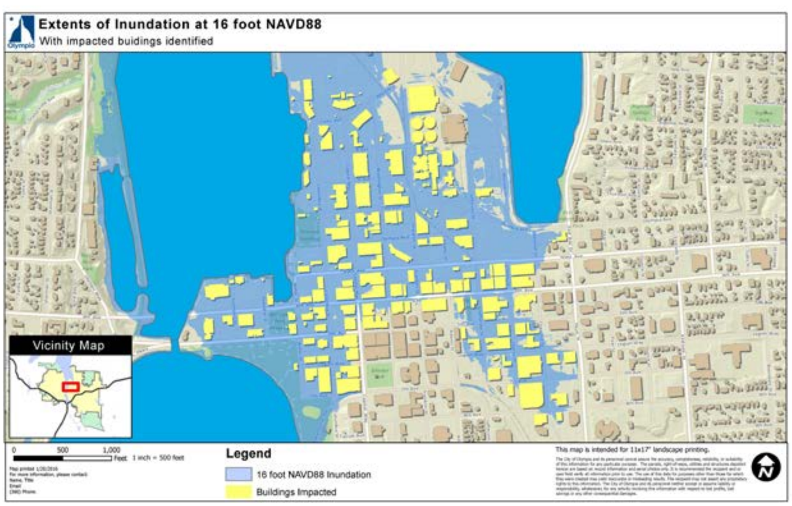
Street and sidewalk improvements not only contribute to better multi-modal circulation and Downtown's identity, they are a proven method to enhance business activity and quality development. In this sense, they are a redevelopment incentive in themselves. Well planned and executed street improvements have increased town centers' business activity from between 6 to 12%. (These figures are based on the DTS consultant's post project evaluations in some Puget Sound business districts, and a study titled The Economic Benefits of Sustainable Streets by the New York City Department of Transportation – available on the web).

Development incentives for capital improvements such as streets and sidewalks primarily relate to funding and include: capital facilities planning; and funding from Local Improvement Districts (LID), Transportation Benefit Districts (TBD), Parking and Business Improvement Areas (PBIA), the Community Economic Revitalization Board (CERB), and the Community Development Block Grant (CDBG) program. All of these funding opportunities are currently available to the City except for an LID. CDBG funds may become less available for non site-specific improvements as Downtown's income status changes. The City's TBD is a primary source of funds for the street improvements proposed in T.1.

Given the current lack of large and comprehensive public funding programs, most street improvements are funded by combining funds from several funding sources. It may be that street improvements accomplished as part of new private development can be leveraged to provide more substantial changes using additional funding from other sources. While paying for all street improvements is hardly a development incentive, if developer contributions can be augmented so that the street improvement costs are shared, then the developer enjoys a much improved street setting at a reduced cost. Additionally, there are some streets, such as A and B Streets, where unique and customized street improvements could suit the development more than the existing configuration. The City should work with development proposers to identify funding methods and streetscape designs that meet public and private interests.

SEA LEVEL RISE RESPONSE

Although it should not be confused with river flooding, which is much less predictable and generally more destructive, sea level rise is a difficult challenge, especially if addressed on an individual site basis. Nearly all areas north of Legion Way will be at risk of flooding during high tide events. Besides damage to private property, sea level rise may require upgrading infrastructure, and flooding could affect the viability of street trees and other landscaping. Current requirements for raising the grade of new buildings to above flood level (or providing other flood proofing actions) present design challenges regarding objectives such as universal access, street front transparency, and the appearance of streetscape improvements.



Current flood risk plus one foot of sea level rise.

If Downtown is to stay viable, solutions must go beyond installing tide gates and requiring individual property owners to flood proof their structures. Hence, the City has initiated a Sea Level Rise Response Plan to address the issue, and both the Port of Olympia and LOTT have included budget resources to assist with this planning effort. Property owner assistance, plus funds for protecting public infrastructure will be most important.

The SLR Response Plan will likely consider a range of measures. One relatively simple approach to help applicants trouble-shoot design issues would be a small-scale demonstration project that incorporates adaptations to private buildings. This would require a property owner or developer to participate in such a project. A more comprehensive approach would be constructing area-wide improvements that provide protection to priority areas, such as an elevated pathway to serve as a levee. Since most of the land along the shoreline is public, a low berm with trail might be a cost effective solution.

All public infrastructure investments should address sea level rise impacts. The most useful incentives to address sea level rise are those that build collaboration for efficient implementation and provide funding for needed improvements. These include funding incentives such as a Local Improvement District (LID), Community Economic Revitalization Board (CERB) funds, or Community Development Block (CDBG) grants. An area wide brownfields planning grant may also be useful as it could be used to identify impacts of sea level rise related to contaminated sites and redevelopment of those sites. Given the national significance of sea level rise threat, there may be other programs available in the future.

BUSINESS ASSISTANCE

Participants at the April 28, 2016 Economic Development Forum discuss ways to impose downtown business actvity.

A successful Downtown depends on strong retail and commercial service businesses, and DTS participants made it clear this is an important public goal. Otherwise, a city has no center, no heart.

The most important support activities for Downtown businesses are those that can provide business owners with the resources they need to start, upgrade, and promote their businesses; support access to the businesses (e.g., parking); and encourage collaboration between business owners. The City and its partners offer or facilitate the incentives listed in the chart above, except for the Local Improvement District (LID), and potential loans or grants for façade improvements, structural assessment, and fire sprinklers for older buildings. See also the Retail chapter for additional steps that aim to strengthen the Downtown business environment.

HISTORIC PROPERTIES

Designated historic landmarks and the centrally located Historic District are invaluable and unique cultural resources that contribute substantially to Downtown's economic vitality and identity. Still there are more undesignated historic properties scattered throughout the Downtown area that lack the protections and financial incentives available to designated historic landmarks. Designation of appropriate structures and informing owners of potential financial benefits might increase the likelihood that they be retained. The City is currently updating its inventory of historic architecture Downtown which will help identify which properties are eligible.

Because of their special status, historic properties have a unique set of incentives, including: historic property tax "special evaluation" and Federal Historic Preservation Tax Credits. Where applicable, façade improvement loans, brownfield remediation assistance, and the Multifamily Tax Exemption (if the project includes new multifamily housing) can also be very helpful.

The City has already implemented many of the incentives that can be used to help maintain and restore historic structures, including the historic property tax special valuation and federal historic preservation tax credits. The Olympia Downtown Association administers the Main Street Program.

The immediate efforts to enhance historic preservation incentives will be to:

- Update the inventory of historic architecture in Downtown, which will help identify properties eligible for benefits (actions D.3 and D.4); and
- Update the design guidelines and review process to ensure that new buildings enhance the Historic District (action D.1).

Once these are completed, it is recommended that the City "package" its historic preservation activities by advertising the incentives and the value of Downtown historic properties, and consider establishing a loan program for façade improvements to aid in restoring and maintaining historic building fronts (action DI.3).

Historic buildings are a critical part of Downtown Olympia's identity.

RECOMMENDED ACTIONS

to Enhance Development Incentives

The scope, timeline, and partners/participants are preliminary and will be refined as the City approaches implementation. Many of the actions will include briefings for and sometimes guidance from City advisory boards and neighborhood organizations.

The City of Olympia and its partners already make use of over half the incentives listed in the chart above. As noted in the introduction, the DTS includes an incentive Tool Box in Appendix C.1 which describes the tools in greater detail and identifies their applicability with regard to different types of development. Listed below are three sets of recommended steps that the City may take to enhance the Tool Box.

Also see other chapters:

- Update zoning (LU.3)
- Identify buildings and tools for adaptive reuse (LU.5)
- Brownfield assessment (LU.6)
- Sale of city land (LU.7)
- Street improvements in the 6-year CFP (T.1)
- Inventory historic properties to identify properties potentially eligible for historic preservation benefits (D.3 and D.4)
- Further develop a housing strategy, program, and tools (H.1, H.2, H.3)
- Continue pursuing public/private partnerships under CRA (H.8)

DI.1 Promote incentives and other tools that encourage private investment.

Timeframe

2017 and ongoing

Lead

Community Planning and Development

Partners and Participants

- Economic Development Council
- Olympia Downtown Association

Description and Intent

Throughout the DTS public process, we heard the City should "advertise" recent investments and development opportunities as well as regularly share positive stories about Downtown to create a sense of excitement or "buzz" that generates more investment. Communicating the spectrum of available incentives to the development community should be an important part of that information campaign. The first step will be to develop clear outreach materials, which can then be used to share information at the front counter and through targeted engagement with the business and development community.

Key Relationships to Other Actions

LU.5 Identify buildings and tools appropriate for adaptive reuse, and promote these tools.

H.3 Facilitate construction of new housing by using, promoting and exploring additional incentives/tools.

DI.2 Establish Downtown as an urban infill exemption area for SEPA.

Description and Intent

The State Environmental Policy Act (SEPA) provides flexibility to local governments to reduce project-specific SEPA process if these are consistent with adopted plans that underwent SEPA review. The Environmental Impact Statement (EIS) prepared for the Comprehensive Plan makes Downtown eligible as a SEPA infill exemption area. The purpose is to reduce time, cost, and risk of appeal in the permitting process. Instead, environmental impacts and mitigation requirements are addressed upfront in the development code. See the SEPA Exemption memo in Appendix C.2 for more information.

Timeframe

Analysis to pursue this action was accomplished as part of the DTS in 2016. Legislation is proposed for 2017

Lead

Community Planning and Development

DI.3 Explore a program to offer façade improvement grants or loans.

Description and Intent

Façade improvement programs, in which a city manages a revolving fund (sometimes with Section 108 or CDBG funds) and offers loans to property or business owners for approved façade improvements can be a strong incentive, especially for smaller businesses getting started in an existing building. Façade improvement loans can also incentivize building owners to initiate smaller building shell improvements, such as storefront reconstruction, painting, signage, awnings, lighting, and window repair. There is also a benefit to historic preservation efforts.

During the DTS public participation process, small business retention emerged as an important objective, towards which this program would be especially beneficial. Loans might be accompanied by technical assistance. For example, architects and City plan reviewers could hold a walk-in clinic for property owners who are considering renovations. The architects could sketch out ideas for façade improvements and reviewers could answer questions about permit applications.

Timeframe

Explore potential for this program in 2018 or 2019

Lead

Community Planning and Development

Partners and Participants

- Olympia Downtown Association
- Parking and Business Improvement Area

Example: Seattle's Good Neighbor loan program provided funds for many façade improvements throughout the city and along with street improvements, made an especially big impact on businesses in the University Business District.

DI.4 Explore the utility of a Local Improvement District (LID) to fund projects that benefit contributing property owners such as street improvements, flood protection, utilities, etc.

Timeframe

Explore potential for this as part of Sea Level Rise Response Plan (LU.1) and when considering funding for long-term transportation improvements (T.3)

Lead

Community Planning and Development

Partners and Participants

- Public Works
- Parks Department
- Port of Olympia
- LOTT
- Affected property owners

LIDs help fund substantial street improvements. For example, Seattle's Broadway street improvements were substantially enhanced by LID assessment funds for sidewalks and special features.

Description and Intent

An LID is a funding mechanism where property owners are assessed for all or a portion of the costs of a public improvement (i.e., for public parking, transportation facilities, utility infrastructure, or public facilities). Cities have long used LIDs for funding necessary infrastructure where there is a direct fiscal benefit to the assessed property owners. The premise is that the assessment will be less than the property value increase, thereby benefitting the property owner. By joining together in an LID, property owners achieve more cost effective financing and construction, and greater economic benefit than could be realized if the improvements were made individually.

LIDs have proven very useful in a variety of public improvement projects and have led to the revitalization of business districts and neighborhoods. Funds from the LID are often matched by grants or City funds to "leverage" the property owner contributions. In Olympia, an LID could potentially be a good tool for street improvements, sea level rise response, Percival Landing rehabilitation, or some coordinated combination of all three.

DI.5 Explore the benefits of applying for Community Economic Revitalization Board (CERB) funds.

Description and Intent

CERB offers State funding on a competitive basis to local governments and federally-recognized tribes for public infrastructure associated with job creation. Eligible projects include domestic and industrial water, storm water, wastewater, public buildings, telecommunications, and port facilities. In addition to funding construction projects, CERB provides limited funding for studies that evaluate high-priority economic development projects. Applications for all of CERB's funding programs are considered on an ongoing basis. Given the emphasis, it appears to be a potential source of funds for a wide range of economic development projects.

Timeframe

NA – as opportunities arise

Lead

Community Planning and Development

Partners and Participants

- Parks, Arts and Recreation Department
- Public Works

DI.6 Explore the extension of lower Downtown impact fees to additional uses in the Downtown.

Timeframe

As resources allow 2018-2021

Lead

Community Planning and Development

Partners and Participants

- Parks, Arts and Recreation Department
- Public Works

Description and Intent

During the DTS process, the City heard from developers that various permit requirements and fees are a disincentive to (re)development. They specifically referred to impact fees. However, it became clear that developers may not be aware the City already has reduced impact fees for Downtown relative to other areas of the City. This benefit was put in place over a decade ago as a way to incentivize development in Downtown.

The City collects transportation and park (but not school) impact fees in Downtown. Our lower Downtown rates are competitive. A recent comparison with other comparable cities shows that Olympia's transportation impact fees for Downtown are on the lower end. For example, Olympia charges $913 for a multifamily unit, compared to $3,261 in Redmond (highest in our sample); $613 in Bellingham (lowest in our sample); and $2,177 in Tumwater. (Impact fees for Lacey vary by project so can't easily be compared.) See the Impact Fee memo in Appendix C.3.

There is not a compelling reason to further reduce impact fees in Downtown. A development feasibility analysis completed as part of the DTS concluded that mixed use commercial and residential development is generally feasible with the existing multifamily tax exemption. Where there are additional cost challenges associated with contamination, sea level rise and adaptive reuse other actions are proposed. Further impact fee reductions would mean lowering level of service standards, which are important for maintaining Olympia's high quality of life – in itself a development incentive.

However, the DTS does recommend that the City examine whether the lower impact fee benefit can be extended to additional uses not currently covered. For example, multifamily uses have lower impact fees in the Downtown, yet other uses such as pharmacies do not, and it is unclear why the distinction is made. This action would examine the positive and negative impacts of specific Downtown uses to explore if extending the impact fee reduction to additional uses would be justified.

DI.7 Explore the deferral of utility hook-up fees until time of Certificate of Occupancy rather than time of permit.

Description and Intent

During the DTS process, the City heard from developers that utility hook-up fees were also a disincentive to development. Each of the City's three water-based utilities (Water, Wastewater, and Stormwater) assesses a one-time General Facility Charge (GFC) to every new customer connecting to each utility's respective system. LOTT Clean Water Alliance also charges a capacity development charge (CDC) that is collected by the City.

Various factors make it difficult to directly compare Olympia's GFC's with other cities; in general Stormwater GFC's are higher, while drinking water GFC's are lower. Most cities do not have a utility comparable to LOTT, which does add a significant fee of $5,354 per unit developed in Olympia, Lacey, Tumwater and the urban areas of Thurston County. See the Utility Hook-Up Fee memo in Appendix C.4 for more.

Lowering the City's GFC rates as a way to incentivize development in Downtown is not recommended at this time. GFC's are not arbitrary. They are evaluated every few years and determined by a State-guided set of calculations that define the value of existing and planned infrastructure. Reducing these fees would mean lowering expectations related to safe drinking water, flood mitigation, waste reduction and disposal, environment protection, etc.

A more realistic action that could be taken to reduce cost pressures on developers would be to defer collection of the hook-up fees from time of permit to certificate of occupancy. Fee deferrals can help cut permit costs because they reduce interest paid by developers on large construction loans. The City already offers this deferral for impact fees.

Timeframe

As resources allow 2018-2021

Lead

Community Planning and Development

Partners and Participants

Public Works

DI.8 Explore grants or loans for structural assessment and fire sprinklers for older buildings.

Timeframe

As resources allow 2018-2021

Lead

Community Planning and Development

Partners and Participants

Fire Department

Description and Intent

Various structural and safety upgrades are required when a rehabilitation project surpasses certain thresholds. A variety of laws necessitate these requirements, including the International Building Code (IBC), Engineering Design & Development Standards (EDDS), Municipal Code (OMC), Federal Emergency Management (FEMA), Americans with Disabilities Act (ADA), and WA Model Toxics Control Act (MTCA).

Most of these standards are out of the City's control to change, except for the EDDS and OMC. Most rehabilitation requirements are part of the IBC, which the City is mandated to use by the State of Washington. IBC requirements are important for life safety, the protection of private property and the environment, and to improve energy efficiency and equity. A few years ago, the City adopted a lower threshold for requiring fire sprinklers in new residential units than what is in the IBC.

The EDDS require frontage improvements or utility upgrades if the existing facilities are undersized to meet the needs for a new use. The OMC requires a landscape plan if a project causes property values to increase over 50%. The OMC also contains design requirements that apply when an exterior façade is modified. All of these types of upgrades provide a long-term benefit to the community, as well as the property owner.

In an environment like Downtown, where there are older buildings and infrastructure, seismic soils, contamination, and flood risk, rehabilitation requirements can add substantial costs to building reuse. For small business owners looking to move, this can be especially troubling. However, most of these requirements cannot or should not be removed.

What the City can do is continue to offer incentives that lower construction costs for desired project types. This action would be to explore grants or loans for structural assessments and fire sprinklers. The idea was provided by a retail forum participant who said she has seen this in other cities. Other actions proposed in this chapter would also help incentivize adaptive reuse, including the SEPA exemption (DT.1) and loan or grant program for façade improvements (DT.3). Also, at the DTS retail forum participants noted that providing information about the authority and purpose of these required upgrades may help deflect the perspective that the City's requirements are overly onerous.

TOOLS AND MEASURES TO CONSIDER IN THE FUTURE

These incentives are not recommended for action within the 6-year time frame, but might be considered following development of a housing strategy or in the longer-term future.

Example: Historic Seattle Preservation and Development Authority. "Historic Seattle" is a PDA that has saved, restored, and managed numerous older buildings and structures ranging from former schools and firehouses to workers houses, a fraternal hall, and a street clock, illustrating that a PDA does not necessarily need to be tied to a specific district or complex.

PUBLIC DEVELOPMENT AUTHORITIES (PDAS)

Public development corporations or authorities (PDAs) are authorized under RCW 35.21.730 and allow municipalities and counties to establish "public corporations commissions or authorities" to improve the administration of authorized federal grants or programs, to improve governmental efficiency and services, or to improve the general living conditions of urban areas.

As noted in the Municipal Research Service Center's (MSRC's) materials on the subject, municipalities have used PDAs for a variety of efforts including acquisition, management, development, and divestiture of land, conducting a variety of economic development activities in a specific district, historic preservation efforts, and other activities that the municipality itself would not be able to accomplish as effectively, such as collaborative efforts between the City, non-profits, and private developers. Establishing a PDA can also be effective since the authority or corporation can access non-profit grants and tax advantages to make a financially difficult project feasible.

The key to PDAs is the availability of an asset base or independent revenue stream to fund the purchase and development of land. Transfer of surplus lands to a PDA could provide the necessary asset. Development sites could be sold or leased, with the revenues reinvested in other properties or capital improvements. A PDA might be the right tool for managing funds from a housing levy, for example.

Example: Two residential properties owned by Capitol Hill Housing. Capitol Hill Housing (CHH) is a public corporation organized by the City of Seattle that owns and manages over 2,000 affordable housing units in 48 properties throughout the Seattle area. Note that CHH owns and manages both new and older buildings.

COMMUNITY DEVELOPMENT CORPORATION

Building relationships with local non-profit housing developers has proven to be an effective means of providing affordable housing, especially at the lowest income range. Community Development Corporations (CDCs) are non-profit, community-based organizations focused on revitalizing the areas in which they are located. They can be involved in a variety of activities including economic development, education, community organizing, and real estate development, but they often focus on the development of affordable housing. Skillful non-profit CDC housing providers have the ability to create innovative projects, combine funds from various sources, and manage properties effectively.

Relationships between a city and CDCs can be developed over time. Since maintenance of existing affordable units is a current need, non-profit housing corporations may be a most useful tool. Like PDAs, CDCs need a resource base such as land or a consistent funding source. Also, such development often relies heavily on the availability of federal housing funding and credits, so federal programs should be monitored or other funding sources sought by the entity developing the housing. This and other tools should be considered in the upcoming Housing Strategy (H.1.)