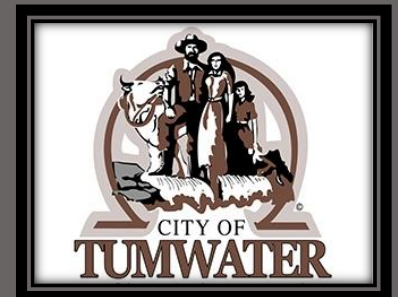


City of Tumwater
**Affordable Housing Actions –
Multifamily Property Tax Exemption
Program & Manufactured Home Park
Preservation**

June 14, 2023

General Government Committee Discussion



Purpose

- Discuss City's Multifamily Property Tax Exemption (MFTE) program and support for manufactured home park preservation in context of City's affordable housing actions
- Discussion will inform 2025 Comprehensive Plan update



Issues

- Not enough housing in the City to meet demand
- Wages are not rising as fast as housing costs
- Lack of housing driving up prices and making housing less affordable to more people
- Private market will continue to supply most of the City's future new housing
- Need for public support for permanently affordable housing

Discussion

1. Policy Background and Regional Context
2. Specific City Actions
 - Multifamily Property Tax Exemption Program
 - Manufactured Home Park Preservation
 - Tenant Protections
3. Related Actions
4. 2023-25 Comprehensive Plan Update

Resolution No. R2018-016

- City Council adopted Resolution No. R2018-016 in 2018
- Resolution set out actions to reduce homelessness, increase affordable housing, and collaborate on regional solutions
- In 2018 and 2019, City undertook a significant effort to create Housing Affordability Work Plans

Regional Housing Council

- Started in 2020
- Primary purpose is to promote equitable access to safe and affordable housing by leveraging resources and partnerships
- Council considers policy and funding for a regional response to homelessness and affordable housing

Housing Action Plan

- Next step in process of identifying actions to increase amount of housing in the City
- Used regional data and local analysis to identify specific strategies and actions to preserve existing housing and create new housing
- Equity was an overarching lens
- Did not address household income and wage strategies or specific homelessness response actions

Housing Gaps

Housing Needs Assessment identified seven housing gaps the Plan needed to address:

1. Affordability Reduce housing costs for low-income and cost-burdened households
2. Supply Increase overall housing supply
3. Variety Increase variety of housing sizes and types
4. Seniors Increase senior housing options

Housing Gaps

5. Improvements Maintain existing housing stock in good condition
6. Stability Provide safe, stable options for both renters and homeowners
7. Supportive Housing Increase permanent housing options for people with disabilities and those at risk of or experiencing homelessness

Strategies to Address Gaps

To address the seven housing gaps, the Plan identified six strategies to address housing needs:

1. Increase supply of permanent, income-restricted affordable housing
2. Make it easier for households to access housing and stay housed
3. Expand overall housing supply by making it easier to build all types of housing projects

Strategies to Address Gaps

4. Increase variety of housing choices
5. Continually build on resources, collaboration, and public understanding to improve implementation of housing strategies
6. Establish a permanent source of funding for low-income housing

Multifamily Tax Exemption

- MFTE program exempts property taxes on improvements made for multifamily development within designated areas of the City
- Exemptions can be for either 8 years with market rate housing or 12 years if at least 20% of units provided are for affordable housing
- Tax exemption applies to new housing improvement portion of property taxes

Program Purpose

- Provides a catalyst to promote development within targeted areas
- Encourages increased residential opportunities within targeted areas
- Assists in directing future population growth to designated residential targeted areas, thereby reducing development pressure on existing single-family residential neighborhoods

Program Purpose

- Stimulates new construction or rehabilitation of existing vacant and underutilized buildings for multifamily housing
- Provides needed residential densities to support retail and other services within the target areas
- Helps to achieve residential densities, which are more conducive to transit use in designated residential targeted areas

Program Benefits

- Encourages the development of more housing units and make housing more affordable overall
- Increases housing choice for consumers due to the increase in supply
- Increases densities in areas suited for higher density
- Aids sustainability and walkability efforts by locating housing near services and transit
- Reduces risk, which increases the ability of a developer to secure debt financing

Program Benefits

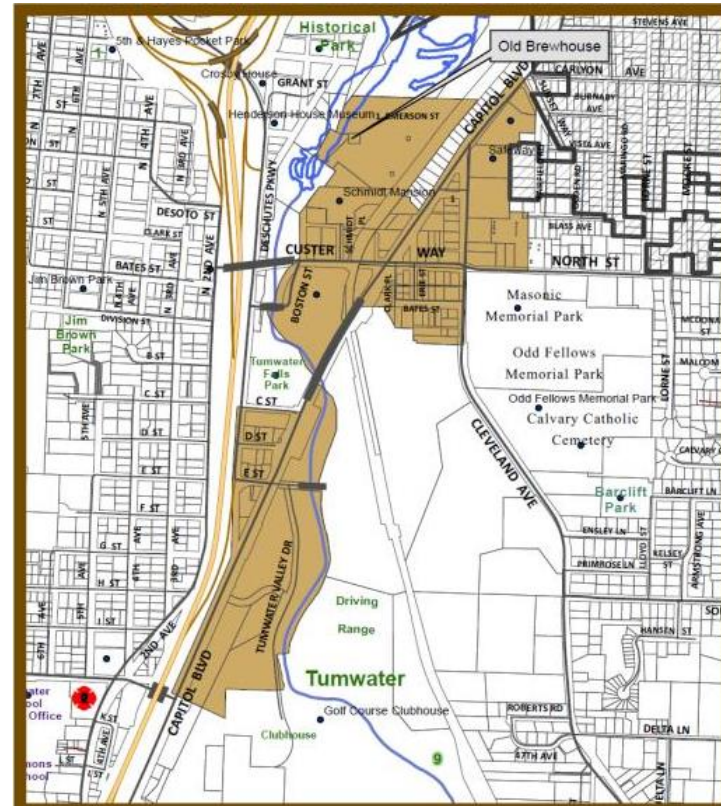
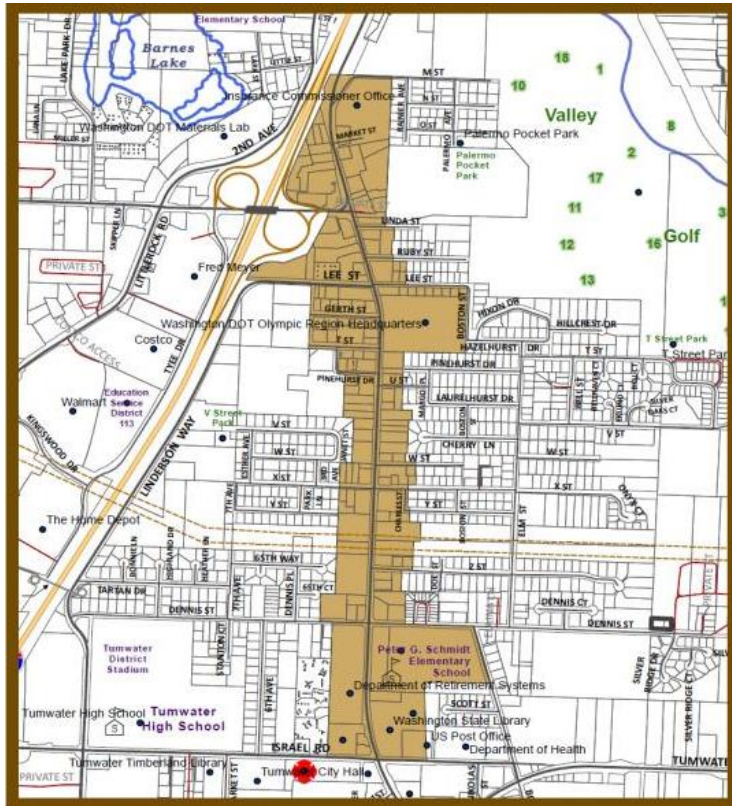
- Stimulates development by reducing costs, which increases the development return on a marginal project, which increases project feasibility
- Benefits the consumer in a competitive market, where savings are passed down
- Ensures that the tax exemption remains with the property so that it will benefit the right owner in the targeted area regardless of turnover

MFTE – 2017 Ordinance

- MFTE program established in 2017 to use residential development to spur economic redevelopment of Brewery District and Capitol Boulevard corridor
- The two subarea plans adopted in 2014 said that a variety of financial incentives were needed for redevelopment envisioned by plans
- Adding residents was intended to encourage development of retail, services, and employment

MFTE – 2017 Ordinance

The 2017 ordinance established MFTE program target areas in Capitol Boulevard Corridor and parts of the Brewery District

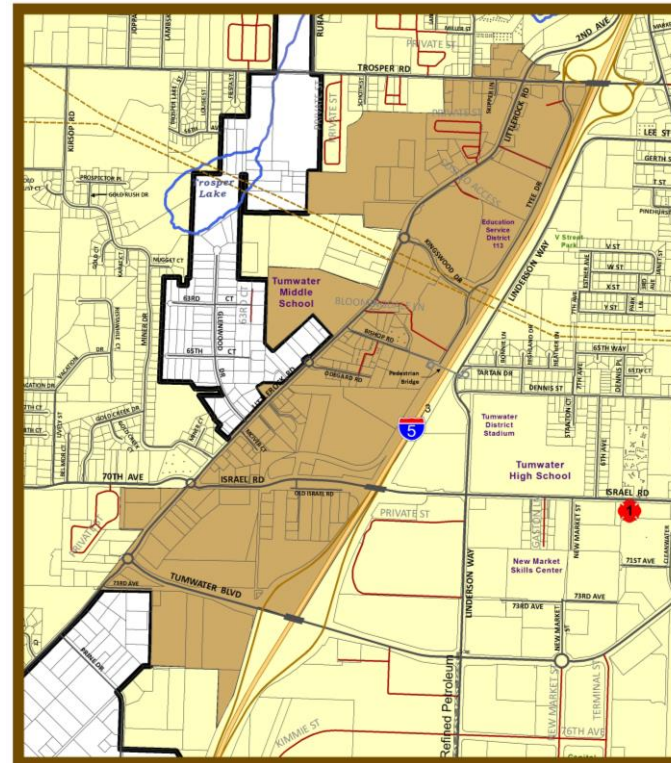
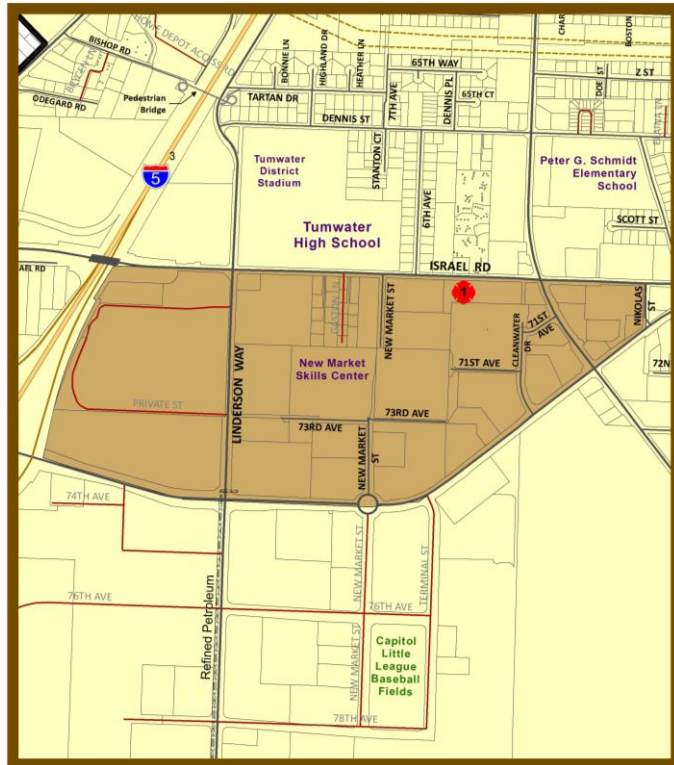


MFTE – 2019 Amendments

- R2018-016 encouraged more housing to be built overall in the City to meet demand and to provide some level of affordable housing
- MFTE program expanded to Town Center and Littlerock Road Subareas in 2019
- In Town Center and Littlerock Road Subareas, MFTE program was limited to 12-Year option requiring 20% of units to be affordable

MFTE – 2019 Amendments

Planning Commission recommended expanding target areas to include the Tumwater Town Center and the Littlerock Road Subarea with 30% affordable housing



MFTE – Approval Process

TMC 3.30 *Multifamily Housing Tax Exemptions* establishes approval process for MFTE applications:

1. An applicant files a complete Conditional Certificate Application with the City
2. If the application meets the requirements of TMC 3.30, the Community Development Director approves the Conditional Certificate
3. As part of Conditional Certificate approval process, the applicant must enter into a contract with City that is approved by City Council

MFTE – Approval Process

4. An approved Conditional Certificate and contract are valid for three years from the date of approval
5. Upon completion of the improvements agreed upon in the contract and issuance of a certificate of occupancy, the applicant files a Final Certificate Application, which is reviewed and approved by the Community Development Director
6. The Community Development Director files a Final Certificate of Tax Exemption with the Thurston County Assessor

MFTE – Units To Date

Approvals	All Units	Market Rate Units	Affordable Units
Conditional	300	263	37
Final	141	112	29
Total	441	375	66

MFTE – Units To Date

Target Areas	All Units	Market Rate Units	Affordable Units
<i>8- and 12-Year Options</i>			
Brewery District	119	119	0
Capitol Corridor	0	0	0
<i>12-Year Option Only with 20% Affordable</i>			
Littlerock Subarea	322	256	66
Town Center	0	0	0
Total	441	375	66

MFTE – Next Steps

- City's MFTE program will expire at end of 2026
- In 2021 E2SHB 5287 amended several elements of Chapter 84.14 RCW
- City may adopt and implement more stringent income eligibility, rent, or sale price limits, including limits that apply to a higher percentage of housing units

MFTE – Next Steps

- Staff believes the MFTE program is functioning as intended to provide multifamily housing to support the City's economic development and affordable housing goals
- The City Council can provide a budget for a qualified professional to study the City's MFTE program and consider amendments to the City's MFTE program as part the 2024 long range planning work program

MFTE – Next Steps

The City may amend its MFTE program as follows:

- Expand target areas where a MFTE project could occur in the City, such as in all multifamily designated areas
- Change length of the exemptions to 8, 12, or 20 years
- Require a higher set-aside of required income-restricted units beyond 20%
- Require other public benefits in exchange for exemptions
- Coordinate with other local incentives, such as inclusionary zoning

MFTE – Next Steps

- Establish new affordability requirements for designated income-restricted units to lower incomes
- Base affordability requirements on unit sizes, with higher levels of affordability and lower area median income requirements for smaller units
- Require a mix of affordable units to be proportionate to the overall unit mix and configuration of all units
- Require the designated affordable units to be intermingled with market-rate units

Manufactured Home Parks

City Goal: Manufactured home park preservation

- Support housing affordability for low-income and cost-burdened households
- Maintain existing housing stock
- Increase household wealth by providing safe, stable options for rental housing and pathways to homeownership

MHP Preservation

- City established the MHP Manufactured Home Park zone district in 2008 to preserve manufactured home parks
- Resolution No. R2018-016 Affordable Housing Action # 6:

Assess actions for assuring mobile home parks continue to provide affordable housing toward a goal of property ownership by residents

MHP Preservation

- Since 2018, City discussing manufactured home parks and land trusts with local nonprofits
- In 2021, the City Council adopted the Tumwater Housing Action, which included:

Strategy 1: Increase the supply of permanent, income-restricted affordable housing.

Action 1.j. Establish a program to preserve and maintain healthy and viable manufactured home parks.

MHP Preservation

- Rental housing protections in TMC Title 5 and Dispute Resolution Services related to these protections apply to manufactured home parks
- While the conversion of existing manufactured home parks is restricted under City zoning regulations, the City does not have regulatory authority under state law to limit ground space rents

MHP Preservation – Next Steps

- The City does have the ability to educate and support actions that allow tenants to work together with manufactured home park owners

MHP Preservation – Next Steps

The City can consider assisting manufactured home owners with the following programs:

- Maintaining and repairing individual manufactured homes
- Funding to replace housing units that would be better replaced than repaired
- Funding for relocation when a park cannot be preserved
- Purchasing a park outright with a land trust

MHP Preservation – Next Steps

The City can consider assisting MHP owners with the following programs:

- Making service and utility upgrades
- Converting parks from septic to sewer service and from well to water systems

MHP Preservation – Next Steps

As part of its state legislative agenda, the City may work with other jurisdictions to amend the Manufactured/Mobile Home Landlord-Tenant Act (Chapter 59.20 RCW), as was done with HB 2610 and E2SSB 5198, to provide additional protections for tenants

MHP Preservation – Next Steps

Housing Action Plan notes that the City will consider the work necessary to implement Action 1.j., but the work has not been scheduled and the following City resources would be needed:

- Funding through the City budget
- Time for staff to develop and run such a program
- Time for staff to manage the annual reporting for such projects

The City Council can add work on this program to the 2024 long range planning work program

Rental Housing

- Support tenant protections to make it easier for City residents who rent to access housing and stay housed
- City reviewed tenant protection actions it could undertake alone or on a regional basis

Rental Housing

City Council approved:

- Three ordinances to address tenant protections in Title 5 *Business Taxes, Licenses and Regulations*
- Established notice requirements and a rental registration program to communicate with tenants and landlords about rental regulations
- Dispute Resolution Center contract for tenant and landlord conflict resolution services specifically for Tumwater residents

Housing Text Amendments

- Increase residential development to bring housing supply and demand more into balance
- Increase permanently affordable housing units through inclusionary zoning for households with incomes less than or equal to 80 AMI

Housing Fee Amendments

- Reduced impact fees, connections charges, and permit fees for permanent low-income housing
- Included a fee reduction for smaller homes to encourage a variety of homes available citywide

Other Actions

- Work with Tumwater School District and nonprofit partners to house homeless students / families
- Participate in homeless count each year
- Meet with Tumwater faith leaders to explore potential roles in addressing homelessness
- Pursue grants for affordable housing
- Move abandoned houses back into active housing inventory

2025 Housing Element Update

- Mandate to “...*plan for and accommodate housing affordable to all economic segments of the population...*”
- State provides countywide housing need projections for all income ranges of households, permanent supportive housing, emergency housing, and emergency shelters

2025 Housing Element Update

In the update, City must:

- Meet projected housing needs of each type
- Demonstrate sufficient land capacity to accommodate housing projections at specific levels of affordability
- Address displacement, racially disparate impacts, and exclusion in housing

Questions?

