

TUMWATER GENERAL GOVERNMENT COMMITTEE

MINUTES OF VIRTUAL MEETING

June 14, 2023 Page 1

CONVENE: 8:00 a.m.

PRESENT: Chair Michael Althausser and Councilmembers Joan Cathey and Leatta Dahlhoff.

Staff: Community Development Director Michael Matlock, Finance Director Troy Niemeyer, Parks and Recreation Director Chuck Denney, Water Resources & Sustainable Director Dan Smith, Planning Manager Brad Medrud, Communications Manager Ann Cook, and Housing and Land Use Planner Erika Smith-Erickson.

**APPROVAL OF MINUTES:
GENERAL
GOVERNMENT
COMMITTEE,
MAY 10, 2023:**

MOTION: **Councilmember Dahlhoff moved, seconded by Councilmember Cathey, to approve the minutes of May 10, 2023 as published. A voice vote approved the motion unanimously.**

PALERMO TRAIL BRIEFING: Director Denney reported the request is approval and a recommendation to the City Council to approve funding for future development of a trail system through the Palermo neighborhood.

The Palermo pocket park is one of the City's oldest parks. The park is comprised of approximately 10,000 square feet of excess land from the creation of the Palermo Wellfield. Amenities include a small play toy and a basketball court. The City no longer constructs similar parks in the City.

The vision for the trail has existed for over 30 years. The existing trail was created by people over time. The trail is included in the design of the Deschutes Valley Trail beginning at Tumwater Historical Park through the golf course and ending at Pioneer Park. The Palermo Trail would be a spur to the Deschutes Valley Trail and enable access from the golf course, Valley Athletic Club, and the Palermo neighborhood to Capitol Boulevard. The trailhead is located near Linda Street behind the Burger King restaurant.

Director Denney displayed an illustration of the future Deschutes Valley Trail through the golf course and the connection to the Palermo Trail.

The trail is located within a natural setting with many trees, shrubs, and plants. Near the trail is a wetland containing water between the wellfield and the golf course. Staff discussed different possibilities

TUMWATER GENERAL GOVERNMENT COMMITTEE

MINUTES OF VIRTUAL MEETING

June 14, 2023 Page 2

and ideas for interpretation, signage, and benches for the trail.

The Engineer's estimate for construction of the trail is \$451,030.50. However, the trail will require clearing, installation of a base, drainage, addressing wetland issues, and replanting vegetation. Staff is pursuing the development of the Deschutes Valley Trail. Development of the Palermo Trail is important because the existing pathway has experienced some occurrences of nefarious activities because the trail is overgrown with vegetation and serves as a place to hide. Some homelessness issues have also occurred in the surrounding woods. Creating an attractive trail system will increase trail traffic and lower the occurrence of activities not beneficial to the City or to the neighborhood.

Director Denney invited questions.

Councilmember Cathey asked about the type of surface for the proposed trail. Director Denney said the surface would be compacted crushed gravel incorporating a sandy mix for better compaction.

Councilmember Cathey said she has walked along the informal trail during a visit with the neighborhood and supports the proposal.

Chair Althaus asked whether the funds are from park impact fees. Director Denney affirmed the park impact fee account would fund the project. Most of the Deschutes Valley Trail is funded by park impact fees.

MOTION:

Councilmember Cathey moved, seconded by Councilmember Dahlhoff, to recommend the Council authorize the Palermo Trail project to be funded from Park Impact Fees. A voice vote approved the motion unanimously.

**MULTIFAMILY
PROPERTY TAX
EXEMPTION PROGRAM:**

Manager Medrud reported the briefing is in response to the Council's request to prepare a summary on the status of the multifamily tax exemption program and City actions to support manufactured home park preservation in the context of affordable housing actions. The discussion will also assist in informing the development of the 2025 Comprehensive Plan Update.

Manager Medrud described the policy background and the regional context surrounding the issues. In 2018, the Council adopted a resolution of specific actions to address homelessness, affordable housing, and coordination on regional issues. Since then, work was completed to develop housing affordability work plans. Concurrently, the City focused on a new regional approach for

TUMWATER GENERAL GOVERNMENT COMMITTEE

MINUTES OF VIRTUAL MEETING

June 14, 2023 Page 3

addressing homelessness and affordable housing through the formation of the Regional Housing Council (RHC). The primary purpose of the body is to promote equitable access to safe and affordable housing and consider policies and funding at a regional level to address the issues.

In 2021, the Council approved the Housing Action Plan containing a series of actions for increasing and maintaining housing in the City, protecting existing housing, and adding more housing. Equity was an overarching lens in the implementation of actions.

The multifamily tax exemption program exempts property taxes on improvements for multifamily development within designated areas of the City. The ordinance refers to those areas as “targeted areas.” The exemptions include options for eight years with market rate housing only or twelve years if at least 20% of the units are provided as affordable housing to households with 80% to 115% of area median income (AMI). The Planning Commission recommended 30 percent of the housing units should be affordable, but the City Council elected to see how many affordable housing units were created first and kept the affordable housing unit requirement at 20 percent. The tax exemption only applies to new housing improvements or new development of housing. The intent of the program was to provide a catalyst to promote development within the targeted areas. The program is intended to encourage residential opportunities through the two components of economic development and creating more housing. The program also increases residential densities to support retail and other services in the City, as well as to support and expand existing transit routes. The program is tied to the property regardless of change in ownership.

The multifamily tax exemption program was envisioned as a tool to kick-start development in designated areas of the City involving both residential and other uses supporting residential uses, such as commercial, retail, services, and employment opportunities. Initially, targeted areas of the City included the Brewery District, and the Capitol Boulevard Corridor. In 2019, the Council added the Littlerock Road Subarea and the Tumwater Town Center.

Manager Medrud reviewed the application process to apply for the multifamily tax exemption program. Following approval of a conditional certificate, the process requires a contract between the developer/owner and the City, which is subject to approval by the City Council. After approval of a conditional certificate, the certificate is valid for three years with the ability to extend due to extenuating circumstances. After completion of all development improvements and issuance of a Certificate of Occupancy, the

TUMWATER GENERAL GOVERNMENT COMMITTEE

MINUTES OF VIRTUAL MEETING

June 14, 2023 Page 4

applicant files for a final certificate to initiate the tax exemption process through the Thurston County Assessor's Office.

To date, four projects either have been completed or are in progress utilizing the tax exemption program. Conditional certificates have been issued for 300 units comprised of 263 market rate units and 37 affordable units. Projects completed total 141 units of which 121 are market rate and 29 are affordable units. Within the Brewery District, 119 units are utilizing the eight-year tax exemption program for market rate housing. Two projects in the Littlerock Road Subarea are utilizing the 12-year program offering 20% of the units as affordable housing.

A next step for consideration is the upcoming expiration of the program in 2026. The state has amended and updated the RCWs supporting the tax exemption program. The City has more options than previously and could either change or update the program. As part of that process, the City could adopt and implement more stringent income requirements for eligibility for the affordable units. Staff recommends pursuing actions similar to the City of Olympia. The City of Olympia contracted with a consultant to evaluate the effectiveness of the program based on existing market conditions and identify options that might prompt the market to develop more housing. The City could establish some requirements; however, if the market believes the requirements serve as a barrier, it is unlikely development would occur.

Staff believes the program is functioning as intended, as the City has seen the development of housing units that the City envisioned. Additionally, the City is experiencing more development than it anticipated especially in the Littlerock Road Subarea. Should the Council desire to pursue different options, staff recommends allocating some funds and adding those options as part of the amendments for the 2024 Work Program and as part of the Comprehensive Plan Update.

Only some of the City of Olympia's study and experiences could apply to the City. Olympia's study indicated that housing developed in the downtown core would not have occurred without the tax exemption program and some parking reductions. However, property prices in downtown Olympia are much higher than Tumwater properties and construction is different than in the City of Tumwater, as development in the City of Olympia requires pilings for buildings increasing construction costs considerably.

Councilmember Council requested information on Tumwater's specific projects that have utilized the multifamily tax exemption

TUMWATER GENERAL GOVERNMENT COMMITTEE

MINUTES OF VIRTUAL MEETING

June 14, 2023 Page 5

program. Manager Medrud advised that each of the four target areas have the option of using the 12-year program. To date, two-12-year programs have been utilized in the Littlerock Road Subarea. The first is the Rockwell Place complex, which has been completed and occupied. The second is the Kingswood Apartments currently under construction that has received a conditional certificate. The 322 units are divided between those different projects. Within the Brewery District, two projects took advantage of the eight-year program. One project is the North Street Apartments currently in progress and the Craft District Apartments located south of the new market building in the Craft District off Capitol Boulevard. The project is undergoing review and approval by the City.

Director Matlock advised that the project off Capitol Boulevard has been paused due to financing issues encountered by the developer.

Councilmember Cathey referred to her prior comments reflecting non-support of the program. She believes the City has been shortsighted in terms of the benefits the program has provided to the City for creating low-income housing. Although market rate apartments have been developed, the units are priced for the middle class. The complex on North Street offers no low-income units. Similar programs across the country have been abused quite frequently. Despite implementing the programs, the City will continue to collect the same amount of property tax because the loss will be absorbed by other taxpayers. The program essentially creates a situation that increases property taxes for other residents to cover the revenue loss. She is not a fan of a program that essentially provides a tax exemption to attract development. The projects are not low-income units to perpetuity because each program has an expiration date. She recommended the committee should reconsider the programs because tax exemptions are being absorbed by other residents in the City.

Chair Althausser agreed that when taxes increase, landlords want to ensure a steady income stream and would likely increase rents. However, he also understands that when the market is constrained, it leads to difficulty for people to find housing. Supply and demand economics also results in an increase in rents. The challenge is striking a balance between understanding limited resources for development because of the economics. Alternatively, when the City strives to achieve residential density in some areas of the City, some tools are important. Some recent changes by the Legislature include a new version of a 20-year exemption requiring those units to be permanently affordable. The Legislature afforded more flexibility for cities to define what constitutes an affordable unit. He suggested seeking the assistance of a consultant to assist the City in working

TUMWATER GENERAL GOVERNMENT COMMITTEE

MINUTES OF VIRTUAL MEETING

June 14, 2023 Page 6

through the issues to determine whether to continue offering the programs.

Councilmember Cathey inquired about the status of housing vacancy in the City. Chair Althausser advised that the vacancy rate two months ago was 2.4%. However, the desired vacancy rate should be at least 5% to prevent increases in rental rates. Vacancy rates below 5% affect the balance of supply and demand.

Manager Medrud noted the importance of adding all types of housing because as more units are added, more low-income units become available as people move to higher priced units. A second component is whether there is a sufficient need for affordable housing for particular income groups. The City needs to pursue both more housing and affordable housing options.

Chair Althausser pointed out that many people and households cannot afford rent even if the household is earning 80 to 115% of AMI. In Washington, the Legislature has banned rent control. Tools that require a developer to maintain stable rent are the only tools that could be considered as rent stabilization over a specific period. In addition to affordability, stability is an important component of affordability. Requiring rents to be tied to a percentage of AMI also helps prevent 10% to 20% rent increases.

Councilmember Cathey noted that the tax exemption program does not prohibit the landlord from increasing rents for affordable housing units. Chair Althausser replied that the increase would not be as high because the household has a specific income level. Increasing the rent too high would result in a vacant unit.

Councilmember Dahlhoff supported a consultant providing assistance and additional data, as well as exploring the 20-year option in addition to the 8- and 12-year programs in the Brewery District. She would also like to explore options for home ownership, such as Habitat for Humanity to enable people to build equity and pass on the wealth to the next generation.

Councilmember Cathey continued to express concerns about providing options that waive property taxes that other residents must absorb. As a renter, she can affirm that her landlord is monitoring actions by the City. Last year, her rent was raised by \$300. People, similar to her, are impacted as it equates to giving property tax exemptions to developers and collecting the same amount of property tax that is paid by other taxpayers.

Chair Althausser recommended the consultant should explore the

TUMWATER GENERAL GOVERNMENT COMMITTEE

MINUTES OF VIRTUAL MEETING

June 14, 2023 Page 7

theory of the tax-exempt program assisting in increasing economic development activity in the City.

Manager Medrud recommended the committee review the remaining information outlining many of the issues discussed, next steps, and other considerations.

MANUFACTURED HOME PARK PRESERVATION:

Manager Medrud reported preservation of manufactured home parks has been a City goal since 2018. Preservations of manufactured homes support housing affordability goals because it is an important source for low-income and cost burden households, Preservation of mobile home parks maintains existing housing stock. The City has nearly 1,000 units of manufactured housing. Preservations also speaks to the goal of increasing household wealth by providing a safe and stable option for rental housing and other pathways for home ownership.

The Council approved the Manufactured Home Park zone district to preserve existing manufactured home parks from conversion to other uses. The City's withstood legal challenges to ensure protection of local manufactured home parks. However, rents for the spaces were not addressed.

The Council directed staff to assess actions for ensuring mobile home parks continue to provide affordable housing with a goal of property ownership by residents. Staff has engaged in ongoing discussions with local land trusts and other local non-profits about possibilities of working with existing owners of parks and tenants to identify possible mechanisms for tenants to purchase the park. The Housing Action Plan includes the directive as part of increasing the City's supply of permanent income restricted affordable housing. Staff has been requested to explore options for establishing a program to preserve and maintain healthy and viable manufactured home parks.

Additionally, all rental housing protections adopted by the Council along with dispute resolution services apply to rentals in manufactured home parks.

While the City has the ability to regulate the conversion of parks to some other use, the City lacks the authority to limit rents. The City can educate and support actions enabling tenants to work together and with home park owners to manage costs.

Options to explore include additional programs for maintaining and repairing individual manufactured homes, a fund to replace housing units, funding for relocation for parks unable to be preserved (parks not subject to the City's zone district), or continue working with land

TUMWATER GENERAL GOVERNMENT COMMITTEE

MINUTES OF VIRTUAL MEETING

June 14, 2023 Page 8

trusts and other entities to purchase parks. The City could consider assisting park owners with services, utility upgrades, or converting parks from septic to sewer service and from well to City water.

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.

The Housing Action Plan includes a requirement for funding in the City budget for staff to develop and run such a program and time for staff to manage the annual reporting for projects.

Councilmember Dahlhoff questioned the timeline for short-term assistance for two manufactured home parks currently coordinating with the Dispute Resolution Center. Tenants have been asked to sign contracts for rental increases. Additionally, some parks are no longer providing repairs and instead remove carports or stairs requiring repairs. She spoke to efforts to assist in providing food for seniors. She has met with several who are desperate and scared because they have been informed of a rental increase.

Chair Althausen thanked Councilmember Dahlhoff for outreaching to the community. For the short-term, some options could include a program or enforcement of the notice period for rent increases as landlords have the ability to raise rental rates.

Councilmember Dahlhoff commented that some manufactured parks previously provided tenants with maintenance services and utilities and are now withdrawing those services. Seniors lack the income to cover those costs. There are many elements complicating the situation as many seniors are embarrassed and feel ashamed to ask for help.

Chair Althausen noted the City's utility assistance program is currently underutilized likely because most in the community are not aware of the program and some people do not want to receive assistance that they perceive as a "handout." However, the programs exist to help people. He understands the situation where a senior, for the first time in their life, has to apply for help. It is possible the City could explore other ways to increase accessibility to those types of programs.

Discussion ensued on the City's utility assistance program administered through Community Action Council and issues associated with underutilization of the program.

TUMWATER GENERAL GOVERNMENT COMMITTEE

MINUTES OF VIRTUAL MEETING

June 14, 2023 Page 9

Chair Althauser suggested pursuing actions to ensure all mobile home parks are subject to the City protection ordinance given the swiftness of redevelopment of mobile home parks.

Manager Medrud advised that the action would require a Comprehensive Plan amendment and rezone and could be included as part of the major update of the Comprehensive Plan.

The committee discussed the state's prohibition of rent control, Section 8 vouchers, and exploring the percentage of households in the City that have been issued Section 8 vouchers. Chair Althauser said it is possible to contact the Thurston County Housing Authority to determine the number of vouchers issued within the City. The state bans discrimination against people who receive Section 8 vouchers or any other housing voucher. He is uncertain as to whether a Section 8 voucher could be used for rent in a mobile home park. As a City, a program could be created for people to apply for rental assistance for a mobile home space. The City budgeted \$100,000 over the biennium for housing issues, which has been fully utilized.

Councilmember Cathey supported exploring how individuals access the City's utility assistance program and consider some alternatives, such as having the City administer the program rather than the Community Action Council.

Councilmember Dahlhoff questioned whether the RHC has considered any programs or projects focusing on ensuring people remain housed, and if the needs of seniors has been considered as well as issues surrounding manufactured home parks. She suggested the RHC should explore those types of issues as the City contributes funds to the RHC.

Manager Medrud explained that the RHC is considering a work program moving forward. The work program is supported from many different sources including the City's Housing Action Plan and the Homeless Services Plan. It is possible to include preservation of existing housing as part of the work program; however, the decision is up to the RHC.

Chair Althauser noted that the RHC establishes the overall goals to achieve, which could include preservation. The community submits funding applications proposing actions to achieve the goals.

Councilmember Dahlhoff said that often too much time is spent being reactive rather than proactive. Her concern is keeping people in their homes in addition to the housing crisis. It should be possible to pursue both objectives.

TUMWATER GENERAL GOVERNMENT COMMITTEE

MINUTES OF VIRTUAL MEETING

June 14, 2023 Page 10

Chair Althauser offered that he and Councilmember Cathey could address the issues with the RHC with staff addressing the comments with the staff technical team.

Manager Medrud added that the team has also had similar discussions and he would convey information on the committee's discussion.

**GRANT AMENDMENT #3
FOR BUSH PRAIRIE
HABITAT
CONSERVATION PLAN
PHASE 2:**

Manager Medrud reported the request is to review and schedule Grant Amendment #3 for the Habitat Conservation Plan for consideration by the City Council on the consent calendar on July 18, 2023 with a recommendation for approval.

The grant amendment extends the length of the grant from a due date of 2023 to 2024. The amendment is important because of remaining funds from Phase 2 that were intended for environmental review required for the HCP. The amendment would enable staff to utilize the funds for that purpose.

MOTION:

Councilmember Dahlhoff moved, seconded by Councilmember Cathey, to schedule Grant Amendment #3 for the Bush Prairie Habitat Conservation Plan Phase 2 for the July 18, 2023 City Council consent calendar with a recommendation of approval. A voice vote approved the motion unanimously.

ADJOURNMENT:

With there being no further business, Chair Althauser adjourned the meeting at 9:21 a.m.