



**LACEY CITY COUNCIL
WORKSESSION
THURSDAY, JUNE 10, 2021
4:00 – 6:00 P.M.
REMOTE ATTENDANCE**

To comply with Governor Inslee's Proclamation 20-28, the City Council Worksession will be conducted remotely, not in-person. However, you may view the meeting by watching live through Zoom:

Link: <https://us02web.zoom.us/j/84491744251>

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AGENDA

4:00 2021 COMPREHENSIVE PLAN AMENDMENTS – HOUSING ACTION PLAN

*RYAN ANDREWS, PLANNING MANAGER
JESSICA BRANDT, ASSOCIATE PLANNER
(STAFF REPORT)*

4:30 LACEY MIDTOWN DISTRICT ASSESSMENT AND HOUSING STRATEGY

*RYAN ANDREWS, PLANNING MANAGER
(STAFF REPORT)*

5:00 RAC FINANCIAL PLAN UPDATE

*JEN BURBIDGE, PARKS, CULTURE & RECREATION DIRECTOR
(STAFF REPORT)*

5:30 UTILITY RATE DISCUSSION

*TROY WOO, FINANCE DIRECTOR
(STAFF REPORT)*

6:00 ADJOURN



LACEY CITY COUNCIL WORKSESSION

June 10, 2021

SUBJECT: Housing Action Plan

RECOMMENDATION: Receive a staff briefing on the draft Housing Action Plan. The draft Plan will be formally considered by the City Council at a future regular meeting as part of the 2021 Comprehensive Plan Updates.

STAFF CONTACT: Scott Spence, City Manager *SS*
Rick Walk, Community and Economic Development Director
Ryan Andrews, Planning Manager *RA*

ORIGINATED BY: Community and Economic Development Department

ATTACHMENTS:

1. [Housing Action Plan Draft](#)
2. [Housing Needs Assessment](#)
3. [Landlord Survey Summary](#)

FISCAL NOTE: None, however implementation of the Housing Action Plan will require staff resources to complete.

PRIOR REVIEW: Land Use Committee, May 25, 2021

BACKGROUND:

In November 2019, the City of Lacey, in partnership with the Cities of Olympia and Tumwater, received a grant award from the Department of Commerce to develop a Housing Action Plan to meet the goals of HB 1923. The intent of HB 1923 is to encourage the construction of additional affordable and market-rate housing in a greater variety of housing types, and at prices that are accessible to a greater variety of incomes. Lacey Community and Economic Development staff have been coordinating with staff from Olympia and Tumwater to develop a draft Housing Action Plan that is now being reviewed through our local processes.

To support the effort, the Cities of Lacey, Olympia, and Tumwater contracted with Thurston Regional Planning Council to develop:

- A Housing Needs Assessment, including a 25-year projection of housing affordable at different income levels;

- A Rental Survey to better understand what residents are paying for rent and how rents are changing; and
- A preliminary draft Housing Action plan that can be tailored for use by each city that contains specific actions that can increase the stock of affordable housing.

After adoption by the City Council, the final Housing Action Plan will be incorporated into the Housing Element of the Comprehensive Plan as an appendix to support housing policies and actions and to compliment the Lacey's existing Affordable Housing Strategy.

The Housing Action Plan builds on the work done through the Housing Needs Assessment by addressing the seven housing gaps that were identified with an overall focus on how to create an equitable housing market. The housing gaps are addressed through the actions identified in the plan, which were developed collaboratively with a stakeholder committee made up of for-profit and non-profit housing providers, real estate professionals, elected and appointed government officials and residents.

The draft Housing Action Plan recommends actions Lacey could consider and also identifies whether or not the City has previously considered implementing the action. The Housing Action Plan categorizes each action into the following:

1. Actions that increase the supply of permanently affordable housing for households that make 80 percent or less of the area median income.
2. Actions that reduce barriers for households to access housing and stay housed.
3. Actions that encourage expansion of the overall housing supply by reducing barriers to build all types of housing projects.
4. Actions that increase the variety of housing choices.
5. Actions that improve implementation of housing strategies through collaboration, public understanding, and continually building on resources.
6. Actions that would establish a permanent source of funding for low-income housing.

The Planning Commission reviewed each action and identified those that are the highest priority. An action previously considered but has not yet been completed is the Low Density Residential Zone Consolidation. Consolidating the low density zones was reviewed by the Planning Commission in 2019 and after public process and holding a public hearing, The Planning Commission recommended approval. This recommendation has been pending Council Action. It is anticipated that one of the first actions to be implemented out of the Housing Action Plan will be the zoning consolidation.

The Housing Action Plan also identifies actions that require legislative support that would be best achieved if we worked cooperatively between jurisdictions to address. Many of the actions in this plan require funding — especially actions to create affordable housing for the lowest income households and people moving out of emergency and temporary housing situations. Therefore, an important part of this legislative agenda is the need for funding for the construction and maintenance of low-income housing and permanent supportive housing. The Planning Commission has identified supporting a regional approach to a permanent funding source to support low-income housing as another high priority action.

In addition, with the adoption of HB 1220 by the 2020-21 Legislature, the inventorying, projecting and meeting the future demand of shelters, emergency housing and low-income supportive housing will be a focus of the 2025 Comprehensive Plan update.

The final chapters of the Housing Action Plan include additional details and a description of each action, including a table of all actions that have been previously considered by the City. A focus of the 2016 Comprehensive Plan was related to addressing housing variety and availability. Many of the actions that have been identified for Olympia and Tumwater have already been completed in Lacey.

As per the terms of the grant, staff will provide an evaluation of Lacey's adopted Housing Element and development codes, providing a summary of any consistencies, inconsistencies and recommended actions identified through the evaluation.

Public Outreach and Planning Commission Hearing

The preliminary draft of the Housing Action Plan was developed by Thurston Regional Planning Council Staff with the assistance of a stakeholder committee. While the committee was a diverse representation of the housing industry, additional stakeholder engagement has been necessary prior to Plan adoption. In addition to typical public engagement including putting a draft of the Housing Action Plan on the City's website and Facebook posts, outreach has also included review by the Government Affairs Committee of Olympia Master Builders and the Thurston Thrives Affordable Housing Team. The Plan has also been broadly distributed to affordable housing providers and stakeholders for their review.

The Planning Commission conducted a public hearing on the draft Housing Action Plan on May 18th. Comments were received from staff and board members from South Puget Sound Habitat from Humanity. The comments urge the support of homeownership and regional down payment assistance programs. After the conclusion of the public hearing, the Planning Commission voted unanimously to recommend the approval of the Plan to the City Council.

ADVANTAGES:

1. The Housing Action Plan identifies actions the City of Lacey can take to encourage the construction of additional affordable and market-rate housing in a greater variety of housing types, and at prices that are accessible to a greater variety of incomes.

DISADVANTAGES:

1. None identified.

HOUSING ACTION PLAN

for the
City of Lacey

April 1, 2021 Draft



City of Lacey Staff

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This plan was funded by the cities of Lacey, Olympia, and Tumwater through grants from the Washington State Department of Commerce.

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Executive Summary

This Housing Action Plan is a collaborative effort between the Cities of Lacey, Olympia, and Tumwater. It is intended to inform local comprehensive plan policies and guide implementation strategies to help each city meet its housing needs and strategic objectives.

What's in the Housing Gap?

Seven housing gaps were identified through the Housing Needs Assessment, including the need to:

1. Reduce housing costs for low-income and cost-burdened households.
2. Increase the overall housing supply.
3. Increase the variety of housing sizes and types.
4. Increase senior housing options.
5. Maintain in good condition and improve the existing housing stock.
6. Provide safe, stable options for both renters and homeowners.
7. Increase permanent housing options for people with disabilities and those at risk of or experiencing homelessness.

COVID-19 Pandemic and the Housing Action Plan

In response to the outbreak of the COVID-19 pandemic, Governor Inslee issued a series of proclamations and declarations aimed at reducing the spread of the virus in Washington state, including requiring all non-essential workers to stay home and stay healthy and extending a moratorium on evictions to protect renters. As a result, significant changes in the Lacey, Olympia, and Tumwater area occurred, affecting businesses and residents alike.

The cities will continue to monitor the impact of the pandemic on housing in the coming months and develop plans for implementing appropriate actions whether included in this plan or not.

How to Create an Equitable Housing Market?

About one in four Thurston County residents is a person of color – those who are Hispanic or Latino of any race and those who are any race other than white alone. People of color generally have more people in their household, are less likely to own their own home, have a smaller household income, and are more likely to experience homelessness than their white, non-Hispanic counterparts. Increasing housing equity is not a single action but an overarching theme in this plan. Affordable housing opportunities cannot be created without also reducing housing-related inequities faced by people of color. Each strategy in this report includes a discussion of how it — and the actions associated with it — will reduce inequity in our community.

Taking Action Locally

The City of Lacey is actively implementing actions that remove barriers and encourage appropriate housing development. Of the actions considered in developing this plan, Lacey has already implemented many actions, including making strategic investments in infrastructure, reducing setback requirements, relaxing ground floor retail requirements, and simplifying requirements for accessory dwelling units. The City adopted an Affordable Housing Strategy into its Comprehensive Plan in 2019 which is also being implemented.

In addition to the work the city has already accomplished, this plan identifies a menu of actions Lacey can take to address housing gaps, needs, and equity:

- Actions that help increase the supply of permanent, income-restricted affordable housing.
- Actions that make it easier for households to access housing and stay housed.
- Actions that help expand the overall housing supply.
- Actions that help increase housing variety.
- Actions that help maintain forward momentum in implementing housing strategies.
- Actions that help establish a permanent source of funding for low-income housing.

The menu of options is intended to provide the city flexibility as implementing the specific actions to address specific housing needs.

Setting a Legislative Agenda

While this plan outlines actions Lacey can take to address housing gaps, needs, and equity, barriers also exist at the state and federal levels. By far, the largest barrier is a lack of funding for low-income and income-restricted housing – whether it is construction, improvement, rehabilitation, or rental subsidies. Other barriers include condominium liabilities for builders, tariffs on construction materials imported to the United States, and the impact of prevailing wage requirements tied to federal funding for small, non-profit housing developers.

Chapter 1.

Introduction

Thurston County is one of the fastest growing counties in Washington State. The pressure to ensure all households have affordable access to housing is also growing and represents a significant challenge for all stakeholders. The challenge to provide sufficient affordable housing is complicated by rising construction costs, insufficient inventory, and a greater need for coordinated responses between jurisdictions.

In 2019, the Washington State Legislature passed HB 1923 encouraging cities planning under the state Growth Management Act to take actions to increase residential building capacity. These actions include developing a housing action plan *“...to encourage construction of additional affordable and market rate housing in a greater variety of housing types and at prices that are accessible to a greater variety of incomes, including strategies aimed at the for-profit single-family home market”* (RCW 36.70A.600).

In recognition of the cross-jurisdiction need for affordable housing, the Cities of Lacey, Olympia, and Tumwater chose to collaborate with Thurston Regional Planning Council to develop housing action plans. Funding was provided by the Washington State Department of Commerce. The project includes four components:

- A regional housing needs assessment.
- A household income forecast to identify future housing needs.
- A survey of landlords and rental property owners to better understand housing costs.
- A housing action plan – to be adopted by the cities – identifying a menu of options for the cities to implement to encourage development of a housing stock adequate and affordable for current and future residents.

The Housing Action Plan is intended to identify a menu of actions for the City of Lacey to implement. Such actions should encourage development of a housing stock adequate and affordable for current and

future residents of all income levels. This information will be to update the Housing Elements of the Comprehensive Plan and joint plans covering the urban growth areas (in collaboration with Thurston County).

Appendix A provides more detailed information on each action while Appendix B lists all actions considered through the development of this plan. Where appropriate, explanations as to why an action was not included is provided.

Sources of Actions

This plan combines data and action ideas from a range of sources. Key sources include:

- **Washington State Department of Commerce.** Actions identified in Commerce’s “Guidance for Developing a Housing Action Plan (public review draft)” were used as a starting point for the action list.
- **Comprehensive Plans.** Project staff reviewed housing elements in the cities’ comprehensive plans for actions to include.
- **Stakeholder Committee.** A stakeholder committee that included the Housing Authority of Thurston County, other low-income housing providers, real estate professionals, housing developers (low-income and market rate), and representatives of the Thurston Thrives Housing Action Team added to, and reviewed, the action list.
- **Staff from the Cities of Lacey, Olympia, and Tumwater.** City staff provided feedback on actions that have already been completed or are underway, added actions that were local priorities, and removed actions that were outside of the cities’ authority.
- **Other Sources.** Outreach was done to additional stakeholders as needed, including Habitat for Humanity, the Low-Income Housing Institute, Northwest Cooperative Development Center, and the Thurston Housing Land Trust.

Addressing Housing Gaps and Needs

This Housing Action Plan was preceded by a Housing Needs Assessment. The Housing Needs Assessment reviewed data available on the region’s housing needs and the available housing stock to identify gaps. The most pressing needs identified were:



Affordability. Reduce the cost of housing for low-income and cost-burdened households.



Supply. Increase the inventory of housing for all households.



Variety. Increase the variety of housing sizes and types



Seniors. Increase the stock of housing options needed for aging seniors.



Improvements. Maintain the existing housing stock, including improving energy efficiency and air quality.



Stability. Increase household wealth by providing safe, stable options for rental housing and pathways to homeownership.



Supportive Housing. Increase permanent housing options for people with disabilities and those at risk of or experiencing homelessness.

Many actions included in this plan address multiple housing gaps/needs, and each action in this plan identifies which area of need it addresses.

Equity in Housing Affordability

Not all households have access to affordable housing. Across Thurston County, people of color — those identifying as Hispanic or a race other than white alone — have lower incomes, are less likely to own their own home, are more likely to be housing cost-burdened, and are more likely to be homeless (Table 1-1).

Table 1-1. Metrics for equity in housing

Metric	Person of Color	White, Non-Hispanic
Cost Burdened Households	37%	31%
Homeowners	52%	66%
People Experiencing Homelessness	~ 4.4 per 1,000	~2.4 per 1,000
Household with an Income Less than \$50,000	41%	33%

Across the United States — including Thurston County and its communities — policies have led to and reinforce housing inequities faced by people of color:

- **Redlining.** Neighborhoods with a large number of people of color were denied access to financing for home improvement and construction. This made it harder for people of color to build financial equity and stay or move out of poverty. While redlining is now illegal, people of color are still more likely to have mortgage applications denied or pay higher interest rates.
- **Zoning.** Zoning regulations explicitly barred racial and ethnic minorities. While this, too, is illegal, zoning regulations today may implicitly bar people of color by placing restrictions on the sizes and types of housing that are affordable and accessible to disadvantaged populations. Zoning that exclusively allows single-family neighborhoods — an estimated 75 percent of all residential-

zoned land across major U.S. cities — perpetuates this legacy of barring racial and ethnic minorities.

- **Covenants.** Privately enforced housing covenants used to exclude racial and ethnic minorities from predominantly white neighborhoods. Racial covenants became more common after racial zoning ordinances were deemed unconstitutional by the U.S. Supreme Court.

Cities can help reverse the disparities caused by these problems by creating more opportunities for affordable housing. Cities are also responsible for ensuring new policies — not just around housing — do not exacerbate inequities. Resources like the Government Alliance on Race and Equity’s “Racial Equity Toolkit” can help cities incorporate equity considerations in policy making.

How is Equity Addressed in the Plan?

Because creating affordable housing opportunities goes hand-in-hand with reducing housing-related inequities faced by people of color, increasing equity is not a single action but an overarching theme in this plan. Each strategy in this plan includes a discussion of how it — and the actions associated with it — work to reduce inequity in our community.

An action that promotes affordable housing — especially for the most vulnerable in our community — is an action that will promote equity.

Defining Terms Used

The following terms are used in this plan.

Affordable Housing. Housing for which the household pays no more than 30 percent of its gross income for housing costs, including utilities.

Income Restricted Housing. Housing for which the occupancy of the units is restricted to households making 80 percent or less of the area median family income, as defined by the U.S. Department of Housing and Urban Development.

Low-Income Housing. Housing that is affordable for households making 80 percent or less of the area median family income, as defined by the U.S. Department of Housing and Urban Development. Low-income housing can take the form of income-restricted housing units or subsidized housing — whether the unit itself is subsidized or the household receives a housing voucher to subsidize market-rate rent conditions.

Manufactured Home Park. A site under single ownership where ground space is made available for mobile homes, manufactured homes, or a combination of the two. Mobile homes and manufactured homes are both factory-built and considered dwellings for habitation rather than vehicles (such as an

RV). Mobile homes refer to those units factory-constructed prior to June 15, 1976, while manufactured homes are units factory-constructed after that date.

Permanent Supportive Housing. Permanent housing intended specifically for chronically homeless and permanently disabled individuals and families. Supportive services (medical, mental health, enrichment programs, etc.) and case management are available on site or closely coordinated to reduce barriers the inhibit households from accessing such services.

Assumptions

Four primary assumptions guided development of this plan:

Menu of options. This plan is intended as a menu of options for the City of Lacey to consider implementing. Not all actions will be utilized. Actions that can only be taken by other entities are not included in this plan.

Analysis before implementation. The City of Lacey is a unique communities with different priorities, development patterns, and resources than neighboring communities. This plan cannot respond to every issue and need, but it can provide a framework for the community to consider how best to act. Further analysis on an action should be undertaken to determine how well it will respond to the specific need or gap the city attempts to fill.

People experiencing homelessness. This action plan addresses permanent housing solutions. The Thurston County Homeless Crisis Response Plan guides the region's emergency response to homelessness. Although there will be some overlap, this plan is limited to actions that result in or support the creation/preservation of affordable and low-income housing, including permanent supportive housing. Permanent housing is a fundamental part of solving the homelessness crisis our region is experiencing. Despite having a coordinated entry system designed to quickly connect people experiencing homelessness to housing, being responsive to needs is hampered by high housing costs and a lack of housing units.

The City of Lacey also participates in the newly formed Regional Housing Council, created to leverage resources and partnerships to promote equitable access to safe and affordable housing in Thurston County. The Regional Housing Council looks at funding issues for responding to homelessness and housing affordability in the region.

Addressing household income. This plan does not address the income side of the housing equation. Attracting living wage jobs, increasing the minimum wage, and other actions impacting a household's income could help make housing more affordable. Lacey's Economic Development Element of the Comprehensive Plan and associated Economic Development Strategy with assistance from the Thurston Economic Development Council guide the region's response to economic development, which has a

direct impact on household incomes. Although there will be some overlap, this plan is limited to actions that result in or support the creation/preservation of affordable and low-income housing units.

Chapter 2.

Actions Already Implemented

As of January 31, 2021, the following actions have been implemented by the City of Lacey as well as the Cities of Olympia and Tumwater. This list comprises only those actions implemented by all three cities.

- **Adopt design standards that assist new forms of high-density housing and promote infill.**
- **Allow accessory dwelling units in all residential zones.**
- **Simplify requirements for accessory dwelling units (ex: title notification, owner living on site, etc.).**
- **Allow group homes in all residential zones and commercial zones that allow residential uses.** Group homes are a source of housing for people with disabilities, seniors, those undergoing treatment for a variety of medical concerns, children in foster care, etc.
- **Establish a multifamily tax exemption (MFTE).** The Multifamily Tax Exemption (MFTE) Program is intended to encourage the construction of new, rehabilitated, or converted multifamily housing within designated areas. MFTE is limited to multifamily units with four or more units. Eligible projects typically receive an eight-year tax break or twelve years if the property owner/developer commits to renting or selling at least 20 percent of the units to households with an income at or below 115 percent of the median family income during the same period of time. Once the period lapses, the owner/developer is free to rent or sell units at market rate.
- **Make strategic investments in infrastructure expansion to reduce development costs.** Each city makes a concerted effort to invest in infrastructure expansion where it makes the most sense, thereby reducing development costs and spurring needed development in the right locations. Although each community makes such strategic investments, new development constructs the majority of infrastructure, impacting the overall cost of housing in that development.

- **Process short plat applications administratively.** Short platting is the division of land into a limited number of lots. Typically, approving land divisions is a legislative function of the city council. However, state law requires cities to have a short plat process and approve such requests administratively. As of 2020, the Cities of Lacey, Olympia, and Tumwater all allow administrative short plats for land divisions of nine or fewer lots, the state’s current limit for short platting.
- **Recognize modular/manufactured housing as a viable form of housing construction.** Since 2004, state law has recognized the value manufactured housing has on housing affordability. Cities must treat manufactured housing the same as it does traditionally built housing and must also allow mobile and manufactured homes to locate in existing manufactured home parks.
- **Reduce setbacks and increase lot coverage/impervious area standards.**
- **Relax ground floor retail requirements to allow residential units.** In commercial zones, retail uses are often required on the ground floor for mixed-use developments. The Cities of Lacey and Olympia have relaxed their requirements, while the City of Tumwater has never established a requirement for ground floor retail in a mixed-use development.
- **Require minimum residential densities.**
- **With major comprehensive plan updates, confirm land is suitably zoned for development of all housing types.** Cities and counties are required to include housing elements in their comprehensive plans. The Growth Management Act requires housing elements to include information on the types of housing available in the community and to confirm there is enough land available for such uses. As part of these updates, the Cities of Lacey, Olympia, and Tumwater confirm whether the land itself is zoned properly to sufficiently allow the types of units envisioned in the community in the quantities necessary to meet housing needs.

In addition to these actions, the Cities of Lacey, Olympia, and Tumwater are also taking advantage of a local revenue-sharing program established by [HB 1406](#), which allows the cities to receive a portion of the State’s existing sales and use tax to fund affordable housing programs and services. The three cities plan to pool their resources with guidance from the Regional Housing Council.

Chapter 3.

Actions

This chapter identifies six strategies for addressing housing needs in the City of Lacey:

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

All of the actions are associated with one of the six strategies, and each action fills one or more of the seven gaps identified in the Housing Needs Assessment:



Affordability. Reduce the cost of housing for low-income and cost-burdened households.



Supply. Increase the inventory of housing for all households.



Variety. Increase the variety of housing sizes and types



Seniors. Increase the stock of housing options needed for aging seniors.



Improvements. Maintain the existing housing stock, including improving energy efficiency and air quality.



Stability. Increase household wealth by providing safe, stable options for rental housing and pathways to homeownership.



Supportive Housing. Increase permanent housing options for people with disabilities and those at risk of or experiencing homelessness.

The table of actions associated with each strategy includes key information to know:

- Gaps or needs addressed by the action (as indicated by the above icons).
- Implementation status for each city, as represented by the following symbols:



The action is pending. The city has begun the work necessary to implement the action, but it is not yet fully implemented.



The action is implemented. The city has completed the work necessary to implement the action.

More detailed information on each action is provided in Appendix A. For a complete list of actions considered as part of the development of this plan, see Appendix B.

Neither the strategies nor the actions associated with them are in priority order. Not all actions will be utilized by the city, and actions that can only be taken by other entities are not included in this plan.

Strategy 1: Increase the supply of permanently affordable housing for households that make 80 percent or less of the area median income.

Strategy 1 includes actions that increase the supply of permanently affordable housing for low-income households (those making 80 percent or less of the area median family income) and actions that support the providers of low-income housing.

Why is this strategy important?

Demand for housing is straining the limited supply of affordable options. For households with the lowest incomes – such as those headed by a retail clerk, a home health aide, or a childcare provider – market rate housing is unlikely to be an affordable option. For these households, even home maintenance costs – let alone rent or mortgage payment costs – can be unaffordable.

How do these actions reduce housing costs?

These actions increase the supply of housing where costs are kept permanently affordable to those earning the lowest incomes in our community. The need is great: according to the Housing Needs Assessment, about 20,200 households in Lacey, Olympia, and Tumwater have an income of 80 percent or less of the median family income (Table 3-1). Another 13,800 households in the same category are anticipated over the next 25 years.

Table 3-1. Households making 80 percent or less of the area median income by jurisdiction, 2012-2016 estimate and 2045 projection

Projection

	Households with an Income* of:			TOTAL HOUSEHOLDS
	<= 30% of area median	30% to 50% of area median	50% to 80% of area median	
2012-2016 Estimate				
Lacey	1,800	1,900	3,600	7,200
Olympia	3,300	2,700	3,500	9,500
Tumwater	1,200	900	1,400	3,500
Cities Combined	6,200	5,500	8,500	20,200
2045 Projection				
Lacey	2,200	3,000	5,500	10,700
Olympia	5,200	5,200	6,500	16,900
Tumwater	1,900	1,700	2,800	6,400
Cities Combined	9,300	9,900	14,800	34,000

*Household income as a percent of the area median family income. Excludes people experiencing homelessness and other group quarters populations. Estimates are only for current city limits and do not include unincorporated UGAs.

Source: Thurston Regional Planning Council

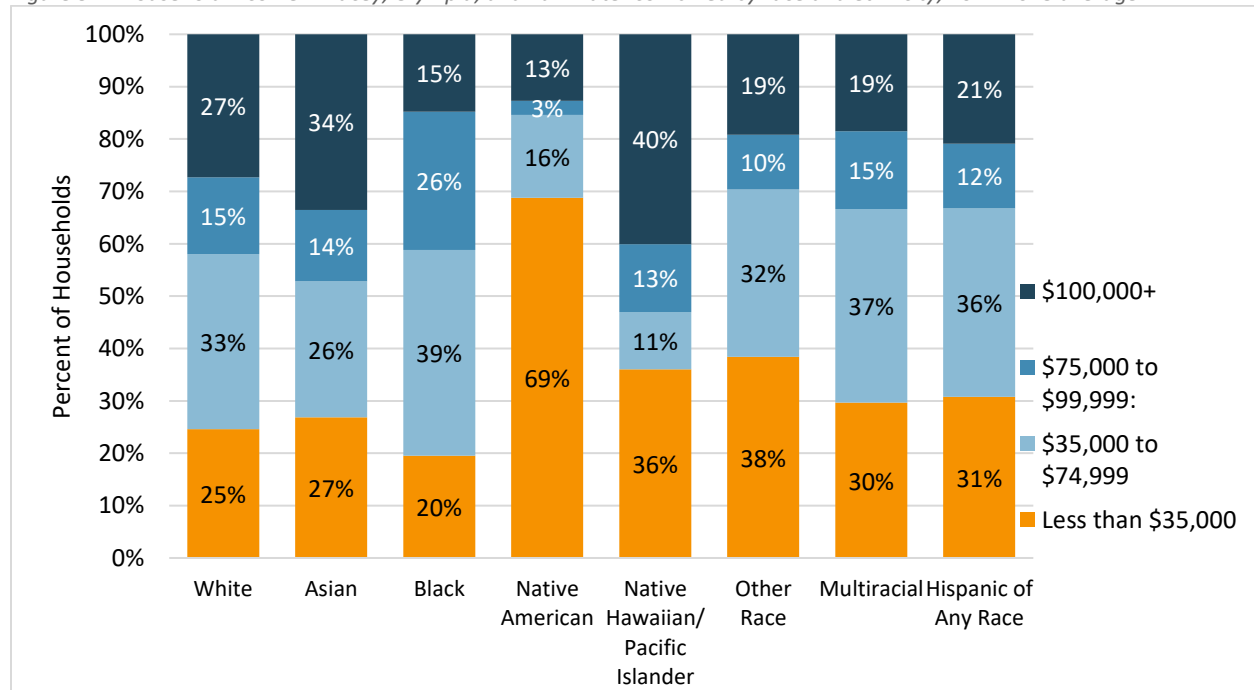
Reducing the cost of renting and owning a home are both part of the solution. For households looking toward homeownership, the up-front costs associated with purchasing a home can put this option out of reach. Low-income households, however, can benefit from the stabilization in housing costs owning a home offers – in general, monthly mortgage payments stay the same over 30 years while monthly rent payments increase.

These actions also address the need for permanent supportive housing. For people moving out of emergency housing situations – such as a homeless shelter – permanent supportive housing provides not only affordable housing but also access to health and social services. These services build stability and decrease the likelihood residents will experience homelessness again.

How do these actions address equity?

The lowest income households in Thurston County are disproportionately headed by people of color (Figure 3-1). The same is true for people experiencing homelessness. Permanently affordable housing for households that make 80 percent or less of the area median income directly benefits both these populations by providing affordable, stable housing options. Housing affordable to households with the lowest incomes can be rental or owner units, both of which help stabilize households. Programs that expand homeownership opportunities can significantly improve a household's wealth; this is especially important to addressing inequities for households of color stemming from historical policies like redlining and exclusionary zoning.

Figure 3-1. Household income in Lacey, Olympia, and Tumwater combined by race and ethnicity, 2014-2018 average

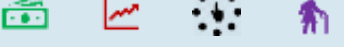


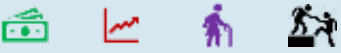
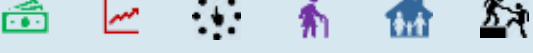
Note: In the figure above, householders who are Latino or Hispanic are only represented in "Hispanic of Any Race."

Source: U.S. Census Bureau American Community Survey.

Table 3-2. Actions that increase the supply of permanently affordable housing for households that make 80 percent or less of the area median income.

Actions that increase the supply of permanently affordable housing for households that make 80 percent or less of the area median income.	Implementation Status
1.a. Donate or lease surplus or underutilized jurisdiction-owned land to developers that provide low-income housing. <i>Gaps/Needs Addressed:</i>  	
1.b. Require Planned Residential Developments (PRDs)/Planned Unit Developments (PUDs) for low-density development and include standards for including low-income housing. <i>Gaps/Needs Addressed:</i>     	
1.c. Adopt a “Notice of Intent to Sell” ordinance for multifamily developments. <i>Gaps/Needs Addressed:</i> 	
1.d. Provide funding for the Housing Authority of Thurston County and other non-profit organizations to buy income-restricted units proposed to be converted to market rate housing. <i>Gaps/Needs Addressed:</i>  	
Key Gaps and Needs  = Affordability  = Supply  = Variety  = Seniors  = Improvements  = Stability  = Supportive Housing	
Implementation Status  Action Pending  Action Implemented	

Actions that increase the supply of permanently affordable housing for households that make 80 percent or less of the area median income.	Implementation Status
1.e. As part of comprehensive plan and development code changes, include an evaluation of the impact such changes will have on housing affordability, especially for low-income households. <i>Gaps/Needs Addressed:</i> 	
1.f. Provide funding for renovating and maintaining existing housing that serves low-income households or residents with disabilities. <i>Gaps/Needs Addressed:</i> 	
1.g. Allow manufactured home parks in multifamily and commercial areas. <i>Gaps/Needs Addressed:</i> 	
1.h. Provide funding for low-income and special needs residents to purchase housing through community land trusts. <i>Gaps/Needs Addressed:</i> 	
1.i. Offer density bonuses for low-income housing. <i>Gaps/Needs Addressed:</i> 	
Key Gaps and Needs  = Affordability  = Supply  = Variety  = Seniors  = Improvements  = Stability  = Supportive Housing	
Implementation Status  Action Pending  Action Implemented	

Actions that increase the supply of permanently affordable housing for households that make 80 percent or less of the area median income.	Implementation Status
1.j. Define income-restricted housing as a different use from other forms of housing in the zoning code. <i>Gaps/Needs Addressed:</i> 	
1.k. Offer and/or expand fee waivers for low-income housing developments. <i>Gaps/Needs Addressed:</i> 	
1.l. Require low-income housing units as part of new developments. <i>Gaps/Needs Addressed:</i> 	
1.m. Fund development projects that increase low-income housing through grants or loans. <i>Gaps/Needs Addressed:</i> 	
1.n. Establish a program to preserve and maintain healthy and viable manufactured home parks. <i>Gaps/Needs Addressed:</i> 	
1.o. Enhance enforcement of property maintenance codes to keep housing in good repair. <i>Gaps/Needs Addressed:</i> 	
Key Gaps and Needs  = Affordability  = Supply  = Variety  = Seniors  = Improvements  = Stability  = Supportive Housing	
Implementation Status  Action Pending  Action Implemented	

Actions that increase the supply of permanently affordable housing for households that make 80 percent or less of the area median income.	Implementation Status
1.p. Partner with low-income housing developers (such as Habitat for Humanity) to expand homeownership opportunities. <i>Gaps/Needs Addressed:</i>  	
Gaps and Needs  = Affordability  = Supply  = Variety  = Seniors  = Improvements  = Stability  = Supportive Housing Key Implementation Status  Action Pending  Action Implemented	

Strategy 2: Make it easier for households to access housing and stay housed.

Strategy 2 actions address housing stability by preventing evictions and displacement and creating opportunities to build financial equity through homeownership.

Why is this important?

Housing stability is an important component of housing affordability. When households face housing insecurity due to income or other issues, there can be a fine line between being housed and being homeless. Evictions and foreclosures are both destabilizing and can lead to long-term poverty. These events also make it more likely a household will experience homelessness.

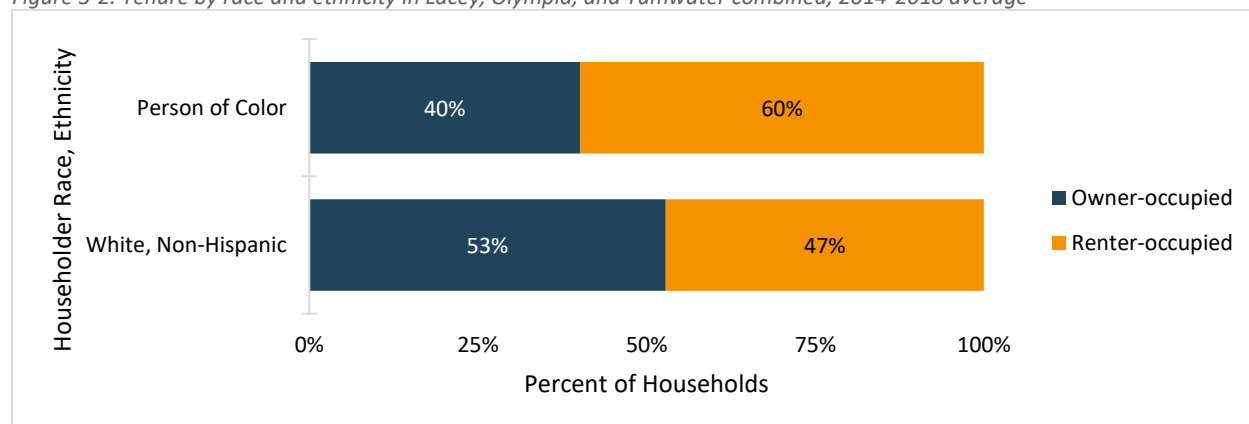
How do these actions reduce housing costs?

Preventing homelessness in the first place is more cost-effective than housing someone already experiencing homelessness. Households that can avoid evictions and foreclosures also avoid likely increases in their monthly housing costs – if they are even able to find a new home to live in. For renters, the cost of finding new housing can also include application fees, deposits, and other charges that create additional financial hurdles.

How do these actions address equity?

People of color are more likely to rent (Figure 3-2) and more likely to have a lower income than their white, non-Hispanic counterparts. This makes them particularly vulnerable to eviction when rent increases exceed their ability to pay. This concern is reflected in the population experiencing homelessness, which is also disproportionately people of color.

Figure 3-2. Tenure by race and ethnicity in Lacey, Olympia, and Tumwater combined, 2014-2018 average



Source: U.S. Census Bureau American Community Survey.

Homeownership is an important way for a household to build financial equity, move people out of poverty, and create generational wealth. Creating these opportunities for people of color – who were historically denied access to mortgages and loans – is particularly important.

Table 3-3. Actions that make it easier for households to access housing and stay housed.

Actions that make it easier for households to access housing and stay housed.	Implementation Status
2.a. Provide displaced tenants with relocation assistance. <i>Gaps/Needs Addressed:</i>  	
2.b. Partner with local trade schools to provide renovation and retrofit services for low-income households as part of on-the-job-training. <i>Gaps/Needs Addressed:</i>    	
2.c. Rezone manufactured home parks to a manufactured home park zone to promote their preservation. <i>Gaps/Needs Addressed:</i>  	
2.d. Adopt a “right to return” policy. <i>Gaps/Needs Addressed:</i>  	
2.e. Adopt short-term rental regulations to minimize impacts on long-term housing availability. <i>Gaps/Needs Addressed:</i>  	
Key	
Gaps and Needs  = Affordability  = Supply  = Variety  = Seniors  = Improvements  = Stability  = Supportive Housing	
Implementation Status  Action Pending  Action Implemented	

Actions that make it easier for households to access housing and stay housed.	Implementation Status
2.f. Establish a down payment assistance program. <i>Gaps/Needs Addressed:</i>  	
2.g. Identify and implement appropriate tenant protections that improve household stability. <i>Gaps/Needs Addressed:</i>   	
Key	
Gaps and Needs  = Affordability  = Supply  = Variety  = Seniors  = Improvements  = Stability  = Supportive Housing	Implementation Status  Action Pending  Action Implemented

Strategy 3: Expand the overall housing supply by making it easier to build all types of housing projects.

Strategy 3 includes actions that streamline the development and construction of market rate housing — both owner and renter-occupied homes.

Why is this important?

Between 2020 and 2045, the population of Lacey, Olympia, and Tumwater and their urban growth areas is projected to increase by over 60,000 people. This growth will require nearly 30,000 new housing units. When demand for housing is high — as it is now — but supply remains low, housing costs increase, reducing affordability. The increase in costs affects both renters and potential buyers.

How do these actions reduce housing costs?

The Housing Needs Assessment showed that we will likely see a growth of households in all income categories, from the lowest earning ones to those earning well above the median income. This will require the construction of housing affordable to a wide range of incomes.

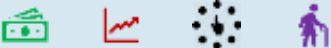
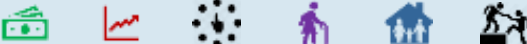
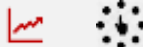
Expanding the housing supply also means people can find housing better suited their needs. For example: high prices for condos and rentals means empty nesters who want to downsize are more likely to stay in their single-family home. A young family looking to buy their first home may continue to rent or pay more than 30 percent of their household income on a mortgage if home sale prices are too high.

How do these actions address equity?

When housing costs rise, those with the lowest incomes — who are disproportionately people of color — are most affected. Rising rents are correlated with increased evictions and homelessness. Rising home prices mean homeownership — a way for disadvantaged households to build equity — becomes more difficult. Increasing costs can also lead to cultural displacement as people move to new neighborhoods that lack the businesses and institutions important to their community. While this process may be voluntary, it can be destabilizing for communities of color. When higher income households — those that can afford to rent or purchase at market rates — find housing that better meets their needs and budgets, more units are freed up that lower income households can afford. Expanding the overall housing stock also slows the rent/housing price increases that disproportionately affect people of color.

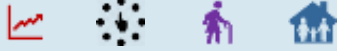
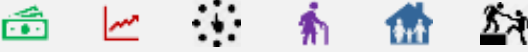
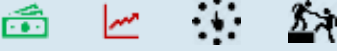
Market rate housing alone will not address the needs of the most disadvantaged populations, and pressure to develop market rate housing in communities of color can cause displacement. Strategy 1 includes actions to increase the supply of housing for the lowest-income households while Strategy 2 includes actions to make it easier for households to access housing and stay housed.

Table 3-4. Actions that expand the overall housing supply by making it easier to build all types of housing projects.

Actions that expand the overall housing supply by making it easier to build all types of housing projects.	Implementation Status
3.a Offer developers density and/or height incentives for desired unit types. <i>Gaps/Needs Addressed:</i> 	
3.b Allow third-party review of building permits for development projects. <i>Gaps/Needs Addressed:</i> 	
3.c Develop a plan for adapting vacant commercial space into housing. <i>Gaps/Needs Addressed:</i> 	
3.d Expand allowance of residential tenant improvements without triggering land use requirements. <i>Gaps/Needs Addressed:</i> 	
3.e Reduce parking requirements for residential uses, including for multifamily developments near frequent transit routes. <i>Gaps/Needs Addressed:</i> 	
Key	
Gaps and Needs  = Affordability  = Supply  = Improvements  = Stability	 = Variety  = Seniors  = Supportive Housing
Implementation Status  Action Pending  Action Implemented	

Actions that expand the overall housing supply by making it easier to build all types of housing projects.	Implementation Status
3.f Identify strategically placed but underdeveloped properties and determine what barriers exist to developing desired housing types. <i>Gaps/Needs Addressed:</i> 	
3.g Increase minimum residential densities. <i>Gaps/Needs Addressed:</i> 	
3.h Reduce minimum lot sizes. <i>Gaps/Needs Addressed:</i> 	
3.i Lower transportation impact fees for multifamily developments near frequent transit service routes. <i>Gaps/Needs Addressed:</i> 	
3.j Expand the multifamily tax exemption to make it available in all transit corridors. <i>Gaps/Needs Addressed:</i> 	
3.k Allow deferral of impact fee payments for desired unit types. <i>Gaps/Needs Addressed:</i> 	

Key	
Gaps and Needs	Implementation Status
 = Affordability  = Supply	 Action Pending
 = Improvements  = Stability	 Action Implemented
 = Variety  = Seniors	
 = Supportive Housing	

Actions that expand the overall housing supply by making it easier to build all types of housing projects.	Implementation Status
3.l Simplify land use designation maps in the comprehensive plan to help streamline the permitting process. <i>Gaps/Needs Addressed:</i> 	
3.m Integrate or adjust floor area ratio standards. <i>Gaps/Needs Addressed:</i> 	
3.n Maximize use of SEPA threshold exemptions for residential and infill development. <i>Gaps/Needs Addressed:</i> 	
3.o Consult with Washington State Department of Transportation as part of the SEPA review process to reduce appeals based on impacts to the transportation element for residential, multifamily, or mixed-use projects. <i>Gaps/Needs Addressed:</i> 	
Key	
Gaps and Needs  = Affordability  = Supply  = Variety  = Seniors  = Improvements  = Stability  = Supportive Housing	Implementation Status  Action Pending  Action Implemented

Strategy 4: Increase the variety of housing choices.

Strategy 4 actions address ways to increase the variety of housing options, including duplexes, triplexes, accessory dwellings, and other housing forms that are not as common in the Lacey area.

Why is this important?

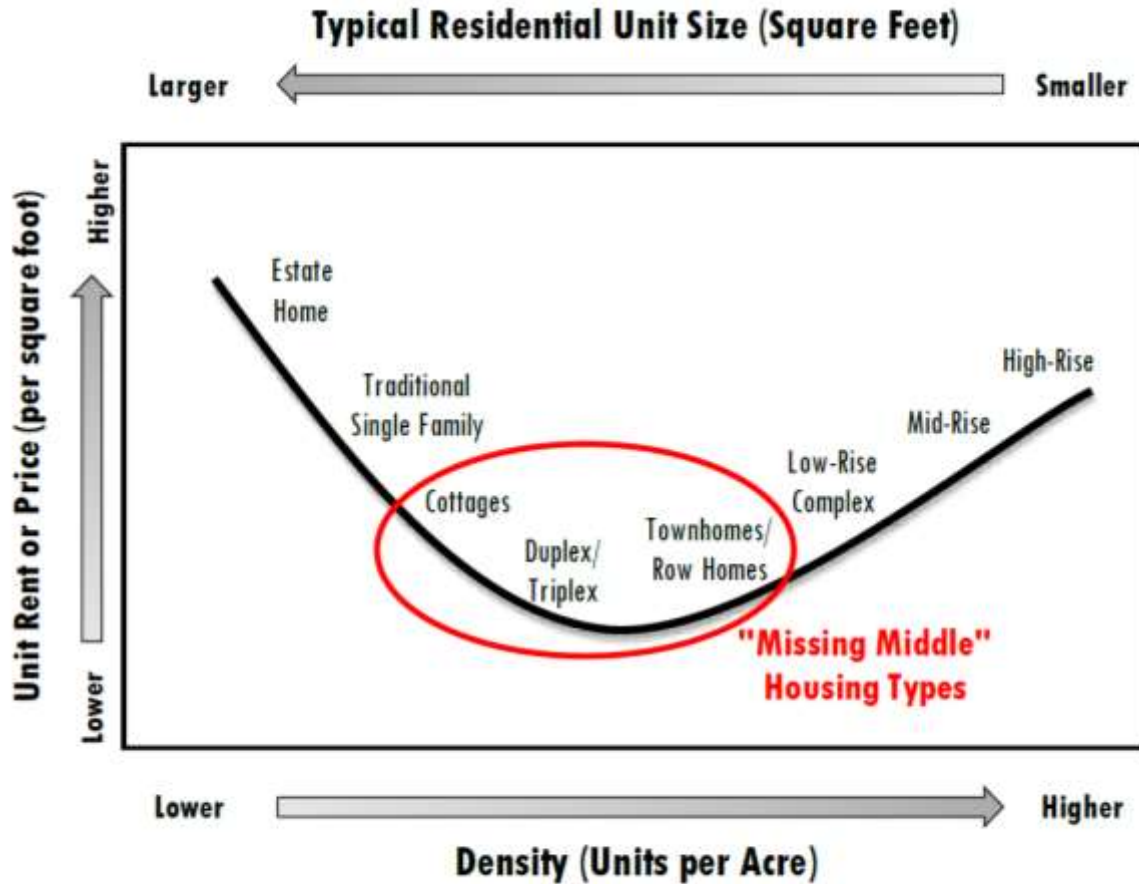
Household sizes in Thurston County have gotten smaller – reaching an average of 2.5 people per household today. There are more single-parent families and householders living alone. As household formation and composition have changed over time, so have housing needs. Increasing the variety of housing types allows more choices for households and creates a dynamic housing market better able to meet the needs of people living in Lacey.

How do these actions reduce housing costs?

“Middle density” housing – a small part of Lacey’s current housing stock – is an important part of an affordable housing strategy. Middle density housing includes small multifamily housing (duplexes and triplexes), attached townhomes, cottage housing, and accessory dwellings. Per-unit costs tend to be lower than single family homes because the homes are smaller, and developers can benefit from economies of scale. Per-unit costs are also less than high-density multifamily because they are stick built (they don’t require structured parking or other concrete and steel structures) and are typically in neighborhoods with existing infrastructure. This leads to lower costs both for homeowners and renters (Figure 3-3).

Diversifying the housing stock also recognizes that households are unique and have a wide range of housing needs. This is particularly true as our population ages. Middle density housing provides seniors a way to downsize while remaining in the neighborhoods they love.

Figure 3-3. Relationship between Housing Types, Price and Rent, Unit Size, and Residential Density



Source: Washington State Department of Commerce, *Housing Memorandum: Issues Affecting Housing Availability and Affordability* (2019), p. 85. <https://deptofcommerce.app.box.com/s/npwem3s3rvcsya15nylbroj18e794yk7>.

How do these actions address equity?

Increasing the variety of housing options provides more affordable housing options for low-income households, who are disproportionately people of color. Middle density housing can be both rental and owner-occupied. Affordable owner-occupied units would be a potential way to build financial equity.

Middle density housing also expands the housing options available in predominantly single-family neighborhoods, leading to a mix of household incomes. This allows low-income households to access some of the resources – such as better school districts or healthier neighborhoods – available to higher-income households.

Table 3-5. Actions that increase the variety of housing choices

Actions that increase the variety of housing choices		Implementation Status
4.a.	Increase the types of housing allowed in low-density residential zones (duplexes, triplexes, etc.). Gaps/Needs Addressed:      	
4.b.	Allow more housing types in commercial zones. Gaps/Needs Addressed:  	
4.c.	Adopt a form-based code for mixed-use zones to allow more housing types and protect the integrity of existing residential neighborhoods. Gaps/Needs Addressed:   	
4.d.	Allow single-room occupancy (SRO) housing in all multifamily zones. Gaps/Needs Addressed:  	
4.e.	Strategically allow live/work units in nonresidential zones. Gaps/Needs Addressed:   	
Key  = Affordability  = Supply  = Variety  = Seniors  = Improvements  = Stability  = Supportive Housing Implementation Status  Action Pending  Action Implemented		

Strategy 5: Continually build on resources, collaboration, and public understanding to improve implementation of housing strategies.

Strategy 5 actions recognize the need for the City of Lacey to engage with the community and establish strong partnerships with affordable housing providers to address housing affordability.

Why is this important?

While the City of Lacey does not build or manage low-income housing, the policies the City enacts can affect how much housing can be built and at what cost.

How do these actions reduce housing costs?

By establishing partnerships and collaborations with organizations who serve low-income households, the cities can ensure that they are directing their resources and enacting policies that best serve low-income households.

For some, changes brought on by growth and new development in their established neighborhoods can be threatening. As a result, residents may support more affordable housing while at the same time seek to prevent actions needed to increase affordable options. By engaging with the community, the cities can also build a shared understanding of the challenges faced by low-income households and develop informed consent around the strategies needed to increase housing affordability.

How do these actions address equity?

Building public understanding around the challenges faced by low-income households includes recognizing the historical reasons why they are disproportionately people of color.

The people who typically engage in public review processes – especially land use processes – are often white and of higher income. Developing relationships with people of color as well as organizations that work with or represent communities of color and disadvantaged groups can help the Cities of Lacey, Olympia, and Tumwater better:

- Identify who benefits or is burdened by an action.
- Examine potential unintended consequences of taking an action.
- Mitigate unintended negative consequences of taking an action.
- Build in strategies to advance racial equity.

Proactive efforts to ensure engagement in decision-making processes are broadly inclusive and grounded in achieving equity are necessary. With broader input representative of the whole community, decisions are better balanced and actions the cities take can be more successfully implemented in an equitable fashion.

Inviting and bringing in people of all walks of life into the community conversation provides the most direct way to get feedback. Collaborating with community leaders and trusted representatives among disadvantaged populations can help make this happen and ensure government action does not increase inequities faced by people of color.

Table 3-6. Actions that improve implementation of housing strategies through collaboration, public understanding, and continually building on resources

Actions that improve implementation of housing strategies through collaboration, public understanding, and continually building on resources		Implementation Status
5.a	Conduct education and outreach around city programs that support affordable housing. <i>Gaps/Needs Addressed:</i>   	
5.b.	Fund Housing Navigators to assist households, renters, homeowners, and landlords with housing issues. <i>Gaps/Needs Addressed:</i>   	
5.c.	Identify and develop partnerships with organizations that provide or support low-income, workforce, and senior housing as well as other populations with unique housing needs. <i>Gaps/Needs Addressed:</i>       	
5.d.	Establish a rental registration program to improve access to data and share information with landlords.	
Key		
Gaps and Needs  = Affordability  = Supply  = Improvements  = Stability		Implementation Status  Action Pending  Action Implemented
 = Variety  = Seniors  = Supportive Housing		

Strategy 6: Establish a permanent source of funding for low-income housing.

Strategy 6 actions address the need to increase funding for low-income housing and to provide a regional strategy for distributing funds.

Why is this important?

While the private sector will build most of the housing needed to meet demand in the Lacey, Olympia, and Tumwater area, a significant portion of households earn less than 80 percent of the median area income. Paying market rate rents or mortgages may not be affordable for them (Table 3-7).

Table 3-7. Maximum affordable housing costs at various income levels, 2020

HUD Income Limit* for a:	Yearly Income	Hourly Wage (Full Time)**	Maximum Monthly Affordable Rent or Mortgage Payment
2-Person Family			
Extremely Low Income (30%)	\$20,800	\$10.00	\$500
Very Low Income (50%)	\$34,700	\$16.70	\$900
Low Income (80%)	\$55,500	\$26.70	\$1,400
4-Person Family			
Extremely Low Income (30%)	\$26,200	\$12.60	\$700
Very Low Income (50%)	\$43,350	\$20.80	\$1,100
Low Income (80%)	\$69,350	\$33.30	\$1,700

*For 2020, Housing and Economic Development (HUD) income limits are based on a median family income of \$86,700 for Thurston County.

**Assumes one household member works full time at 40 hours per week.

Source: Thurston Regional Planning Council.

Whether developer is a nonprofit or a for-profit organization, there are real costs to consider in making a development project feasible. Table 3-8 provides an example of the monthly costs associated with developing a 100-unit apartment complex. This example is intended to give readers an idea of the costs associated with multifamily development; actual numbers for a real project will vary based on a variety of factors.

In this example, each apartment unit costs \$250,000 to develop, a total that includes acquiring land, engineering and architectural fees, environmental review, appraisals, city fees, construction costs, etc. Most developers do not have the cash to develop a project without financing. Some may not have funds for even a down payment to qualify for a development loan. Developers must also consider the ongoing costs once the development is up and running – such as costs for managing the property, taxes and insurance, and reserving funds for basic and more extensive repairs. In this example, monthly costs per unit would need to be \$1,695 just to cover the financing and ongoing operating costs; this does not take into account any profit – only the cost to break even on the project and ensure the developer does not lose any money.

Table 3-8. Example of costs associated with developing an apartment complex

	Per Unit Cost – Not Grant Funded	Per Unit Cost – 25% Grant Funded	Per Unit Cost – 100% Grant Funded
Total Cost of Development <i>Covers the total cost of development including land acquisition, engineering and architectural fees, environmental reports, appraisals, city fees, construction, etc.</i>	\$250,000	\$250,000	\$250,000
Monthly Cost for Down Payment Financing <i>approximately 25% of overall development cost. Assumes 5.8% return on investment.</i>	\$300	\$0	\$0
Monthly Cost for Loan Payment <i>approximately 75% of overall development cost. Assumes 4% interest rate.</i>	\$895	\$895	\$0
Monthly Cost for Ongoing Operating Costs and Reserves* <i>Covers property taxes and insurance; utilities; landscaping and general maintenance; basic repairs; property management; and maintenance reserves for painting, new roofs, appliance replacements, etc.</i>	\$500	\$500	\$500
TOTAL Cost per month over 30-year loan term	\$1,695	\$1,395	\$500

*Per the Housing Authority of Thurston County, \$500 per unit is likely a modest amount for well-maintained properties.

Note: This example is intended to give readers an idea of the costs associated with development; actual numbers for a real project will vary.

Source: Housing Authority of Thurston County.

If a non-profit developer has the down payment covered through grant funding (about 25 percent of the total project cost), the cost per unit can be reduced to \$1,395 per month. If the non-profit developer is able to obtain grant funding for the total cost of development, the developer would still need about \$500 per unit per month to cover maintenance and operation costs. For households with extremely low incomes - making less than \$21,000 per year – this may still be a hard ask.

How do these actions reduce housing costs?

Providing affordable housing for the lowest income households and those experiencing homelessness requires significant resources. Right now, those resources are scarce, leaving many households unable to afford a decent and affordable place to live. Many of the actions identified in this plan will not be possible without more funding. The City of Lacey can play a significant role in leveraging local, state, and federal dollars for low-income housing. The City also recognizes the need to collaborate regionally on a funding strategy so that funds are used efficiently and distributed to the areas of greatest need. With

more funding, housing units become more affordable for households when costs for developing and maintaining units are reduced.

While the City has some capacity to increase funding, Chapter 4 recognizes the need for action at the state and federal level to increase funding for affordable housing.

How do these actions address equity?

People of color are disproportionately low-income, at risk of experiencing homelessness, or homeless. However, many of the actions in this plan to address these issues will be impossible to implement without additional funding.

Table 3-9. Actions that establish a permanent source of funding for low-income housing

Actions that establish a permanent source of funding for low-income housing		Implementation Status
6.a.	Develop a comprehensive funding strategy for affordable housing that addresses both sources of funding and how the funds should be spent. Gaps/Needs Addressed: 	
6.b.	Establish an affordable housing property tax levy to finance affordable housing for very low-income households. Gaps/Needs Addressed: 	
6.c.	Establish an affordable housing sales tax. Gaps/Needs Addressed: 	
6.d.	Establish a regional housing trust fund to provide dedicated funding for low-income housing. Gaps/Needs Addressed: 	
Key		
 = Affordability  = Improvements  = Supply  = Stability  = Variety  = Supportive Housing  = Seniors		
		Implementation Status  Action Pending  Action Implemented

Actions that establish a permanent source of funding for low-income housing	Implementation Status
6.e. Capture the value of city investments (utilities, roads, etc.) that increase private investments in neighborhoods, especially in areas with planned or existing transit. <i>Gaps/Needs Addressed:</i>  	
Key	
Gaps and Needs  = Affordability  = Supply  = Variety  = Seniors  = Improvements  = Stability  = Supportive Housing	Implementation Status  Action Pending  Action Implemented

Chapter 4.

Legislative Needs

The Housing Action Plan identified a number of barriers to affordable housing that need to be addressed at the state or federal level. Cities the size of Lacey, Olympia, and Tumwater are not the best suited to leverage sufficient funding to meet the needs identified in this plan. They need state and federal government relief to fill the gap. Loss of funding at either the state or federal level can have severe impacts at the local level. A joint legislative agenda developed by the Cities of Lacey, Olympia, and Tumwater will be necessary to address these issues.

Many of the actions in this plan require funding — especially actions to create affordable housing for the lowest income households and people moving out of emergency and temporary housing situations. Therefore, an important part of this legislative agenda is the need for funding for the construction and maintenance of low-income housing and permanent supportive housing.

State Legislative Agenda

- Increase funding for low-income housing construction.
- Increase funding for permanent supportive housing for those recently experiencing homelessness and moving out of emergency/transitional housing.
- Increase funding for renovating low-income housing to address accessibility upgrades, energy efficiency retrofits, and indoor health (e.g. lead and mold).
- Reform Washington’s condo liability laws.
- Amend the Manufactured/Mobile Home Landlord-Tenant Act — such as in [HB2610](#) — to provide protections for tenants in the event of a sale.

- Allow tax increment financing.
- Require a portion of the Washington State Housing Trust Fund to be used for affordable homeownership projects.
- Update the multifamily tax exemption program to include projects that support homeownership opportunities.

Federal Legislative Agenda

- Reduce tariffs that raise housing construction costs, making it more expensive to build housing. Example: the cost of softwoods (heavily used in construction) from Canada are up by about 25 percent.
- Increase federal Housing and Urban Development (HUD) funding for affordable housing, including housing vouchers and funding for the Community Development Block Grant (CDBG) program, the Self-Help Homeownership Opportunity Program (SHOP), and the Home Investment Partnerships Program (HOME).
- Examine the effect of Davis-Bacon Act prevailing wage requirements on small, non-profit housing developers.
- Increase funding for down payment assistance. This could include providing tax credits for first-time home buyers with low-income, targeted down payment assistance for disadvantaged populations and communities of color, and increased funding for homeownership savings programs like Assets for Independence and the Family Self-Sufficiency initiative.
- Support the Neighborhood Homes Improvement Act tax credit, which would make it economically feasible to rehabilitate distressed homes for homeownership and expand affordable homeownership opportunities for local residents.

Appendix A.

Action Details

This appendix includes a fuller description of what each action included in this plan entails. Where appropriate, the appendix includes applicable information on what the Cities of Lacey, Olympia, and Tumwater can or have done as well as resources with more information. The actions are grouped into their strategy categories:

1. Increase the supply of permanently affordable housing for households that make 80 percent or less of the area median income.
2. Make it easier for households to access housing and stay housed.
3. Expand the overall housing supply by making it easier to build all types of housing projects.
4. Increase the 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.

Strategy 1: Increase the supply of permanently affordable housing for households that make 80 percent or less of the area median income.

1.a. Donate or lease surplus or underutilized jurisdiction-owned land to developers that provide low-income housing.

In areas with high land costs, acquiring suitable land can add significant expense to an affordable housing project. Public lands can be donated or leased to affordable housing developers, thereby reducing the cost of development. In this case, affordable housing means housing for households with incomes 80 percent or less of the area median income.

When a jurisdiction does not own land appropriate for housing development, purchasing such land may be an appropriate measure. The land can then be donated or leased to developers that provide low-income housing.

For more information on donating public lands, see [RCW 39.33.015](#).

1.b. Require Planned Residential Developments (PRDs)/Planned Unit Developments (PUDs) for low-density development and include standards for including low-income housing.

Planned Residential Developments (PRDs) and Planned Unit Developments (PUDs) are intended to provide a developer flexibility when designing very large subdivisions. Generally, flexibility is provided in terms of lot size and housing types. Requiring low-income housing as part of low-density PUDs/PRD can introduce a greater variety of housing of low-density housing types (duplexes, small apartment buildings, cottage housing, etc.) into a new neighborhood and ensure the neighborhood is affordable for a wider range of households. This may also encourage the private sector to partner with non-profits such as Habitat for Humanity to develop detached single-family homes for low-income households.

Low-density developments are more likely to consist only of detached single-family homes. Requiring PRDs/PUDs for low-density development can encourage more housing types in such developments. Requiring low-income housing in PRD/PUD proposals is a type of inclusionary zoning (income-restricted affordable housing must be included as part of new developments).

1.c. Adopt a “Notice of Intent to Sell” ordinance for multifamily developments.

Requiring notice to the city, housing officials, and tenants when the owner of a multifamily development intends to sell gives the city the opportunity to preserve low-income units for the same purpose and tenants ample additional time to prepare for a potential move. Not every multifamily development is appropriate for purchase to preserve affordability, but the notice allows jurisdiction staff the time to consider it. Cities may consider developing a list of criteria to determine the types of multifamily developments they want to preserve, including units currently required to be dedicated for low-income households but which may be converted to market-rate units in the future.

Resources

- National Housing Preservation Database. Provides information on developments that have received housing subsidies. As of December 2020, more than 3,000 multifamily units (two or more units in a building) in Thurston County have active subsidies.

1.d. Provide funding for the Housing Authority of Thurston County and other non-profit organizations to buy income-restricted units proposed to be converted to market rate housing. Income-restricted housing units developed or rehabilitated with federal money may in the future be converted to market-rate units. Partnering with HATC and other nonprofit organizations to purchase such units can help preserve housing options for low-income households.

1.e. As part of comprehensive plan and development code changes, include an evaluation of the impact such changes will have on housing affordability, especially for low-income households. Changes to comprehensive plans and development codes should include an evaluation of how they would affect the amount of housing, the types of housing allowed, and the cost to permit, construct, and renovate housing. Evaluating the potential for displacement when affordable units are likely to be lost to redevelopment (such as a mobile home park that is redeveloped) is also appropriate. Particular attention should be given to areas of need identified in the Housing Needs Assessment, including low-income and permanent supportive housing, housing for seniors, and improving and retrofitting existing low-income housing.

1.f. Provide funding for renovating and maintaining existing housing that serves low-income households or residents with disabilities.

Low-income households and landlords that serve such households may not be able to afford costs for improving housing units that require renovation or rehabilitation. Need-based assistance to make home repairs, weatherization improvements, energy efficiency upgrades, and safety upgrades can ensure existing housing affordable to low-income households remains healthy for inhabitants, affordable, and in good repair. Assistance may be in the form of loans, tax reductions, or grants for landlords, homeowners, and tenants.

See also Action 2.b.

1.g. Allow manufactured home parks in multifamily and commercial areas.

Manufactured home parks serve as one of the most affordable housing options for households in the region. If a city has not adopted a dedicated zone for manufactured home parks, it should consider allowing such developments in commercial areas and all multifamily zones.

See also Actions 1.n and 2.c.

This strategy could make it easier to enhance enforcement of property maintenance codes (see Action 1.o.).

1.h. Provide funding for low-income and special needs residents to purchase housing through community land trusts.

Community land trusts provide permanently affordable housing opportunities by holding land on behalf of a place-based community. A non-profit organization, housing land trusts help make homeownership both possible and affordable for low-income households. Locally, the Thurston Housing Land Trust serves all of Thurston County.

1.i. Offer density bonuses for low-income housing.

Density bonuses allow developers to build more housing units than typically allowed if a certain percentage of units are low-income or income restricted. This policy is best implemented in coordination with low-income housing providers. Density bonuses are viable in areas where there is market demand for higher-density housing but do not pencil out where the demand is weak.

1.j. Define income-restricted housing as a different use from other forms of housing in the zoning code.

Defining income-restricted housing as a specific use allows cities to explicitly identify income-restricted housing as a permitted use in residential zones. It also allows cities to establish development regulations specific to low-income housing to streamline its design and permitting, making it a more attractive type of development for developers.

1.k. Offer and/or expand fee waivers for low-income housing developments.

Impact fees, utility connection fees, project review fees, and other fees increase the cost of housing construction. Reducing or waiving fees for low-income housing developments reduces their development costs and acknowledges that providing low-income housing has a positive impact on a community by:

- Ensuring vulnerable households can afford a home.
- Preventing individuals and families from becoming homeless.
- Reducing the cost of providing social services for households in crisis.

The costs for such offsets must be made up elsewhere. According to the Washington State Department of Commerce, reducing or waiving impact fees are most effective when paired with other housing affordability incentives.

See also Action 3.k.

For more information on fee waivers for low-income housing, see:

- [RCW 82.02.060](#) for exempting impact fees for low-income housing.
- [RCW 35.92.380](#) and [RCW 35.92.020](#) for waiving utility connection and other utility fees for low-income persons.
- [RCW 36.70A.540](#) for waiving or exempting fees for affordable housing.

1.l. Require low-income housing units as part of new developments.

Future Thurston County households will have a range of incomes, and a portion of residential development will need to be affordable to low-income households. Requiring low-income housing units – whether for rent or ownership – ensures such units will be built as part of development. Consideration should be given to the number of low-income units required, how they are integrated with market-rate units, and whether thresholds should be enacted that exempt smaller developments from this requirement. This policy is best implemented in coordination with low-income housing providers.

1.m. Fund development projects that increase low-income housing through grants or loans.

Cities can provide funding directly to low-income and permanent supportive housing providers through grants or loans. This recognizes the need for public funding to build low-income housing beyond what market-driven incentives can provide. This action can be best implemented for projects located close to transit and with good access to organizations and agencies that serve low-income households.

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

Manufactured home parks can be prime locations for higher density redevelopment in communities with strong demand for new housing. However, they also serve as one of the most affordable housing options for households in the region. A program that seeks to preserve and maintain healthy and viable manufactured home parks may consider ways to assist:

- Unit owners to purchase the park outright.
- Unit owners to maintain and repair individual manufactured homes.
- Unit owners with funding to replace units that would be better replaced than repaired.
- Unit owners with funding for relocation when a park cannot be preserved.
- Park owners with making service and utility upgrades.
- Park owners with converting from septic to sewer service.

See also Actions 1.g and 2.c.

1.o. Enhance enforcement of property maintenance codes to keep housing in good repair.

Property maintenance codes are intended to ensure the health, safety, and welfare of the public is adequately protected. Improved enforcement can help ensure pest infestations, lack of sanitary conditions, presence of mold, and structural issues are addressed in a timely fashion, thereby protecting homeowners, tenants, and the public at large. Enforcing adopted property maintenance codes is difficult due to the time, staffing, and funding needed to identify and address issues as they arise.

This strategy could have a negative impact on low-income households if resources are not also made available to such households (or their landlords) to make required repairs (see Action 1.f).

1.p. Partner with low-income housing developers (such as Habitat for Humanity) to expand homeownership opportunities.

Affordable homeownership opportunities allow low-income households to build wealth. Local jurisdictions can go beyond their own capabilities to encourage affordable homeownership opportunities by partnering with local housing groups and non-profit developers. This may include providing funding, gifting publicly owned property, supporting grant applications, providing assistance to property owners, and other programs that increase affordable homeownership opportunities. See also Action 1.a.

Strategy 2: Make it easier for households to access housing and stay housed.

2.a. Provide displaced tenants with relocation assistance.

Displacement can happen for a variety of reasons through no fault of the tenant. As redevelopment becomes a more attractive option than keeping a development as is, households – especially low-income households – can be displaced. Moving costs money, and low-income households may not have the funds available for making a required move. State law authorizes local governments to adopt an ordinance requiring developers to provide displaced tenants with relocation assistance to households that have an income of 50 percent or less of the area median income. Cities and counties can also dedicate public funds or use a combination of public and private funds for relocation assistance. When public action results in tenant displacement, relocation assistance is required.

For more information on relocation assistance, see RCW 59.18.440 (developer action) and RCW 8.26 (public action).

2.b. Partner with local trade schools to provide renovation and retrofit services for low-income households as part of on-the-job-training.

According to a 2019 housing memorandum prepared by PNW Economics, LLC and LDC, Inc. for the Washington State Department of Commerce, the majority of general contracting firms struggle to find skilled tradespeople (Issues Affecting Housing Availability and Affordability, p. 71.) Trade schools, apprenticeship programs, and other professionals that provide repair, retrofit, and renovation services to homeowners can scale up training with the help of homeowners who are in need of services at reduced rates.

This action may require additional assistance to the household to accomplish (Action 1.f).

2.c. Rezone manufactured home parks to a manufactured home park zone to promote their preservation.

Manufactured home parks provide some of the most affordable, non-subsidized forms of housing in Thurston County. Occupants of manufactured and mobile homes who own their unit lease the land under the unit. As property values rise, pressure to redevelop manufactured home parks increases, putting unit owners at risk of having to move (which can be costly) and being unable to find a new place to establish their home. Rezoning such developments to a manufactured home park zone can limit the types of development allowed in the zone and result in a more thorough public review process if rezoning is proposed.

See also Actions 1.g and 1.n.

2.d. Adopt a “right to return” policy.

A “right to return” policy prioritizes down payment assistance for first-time home buyers that have been displaced due to direct government action. Establishing a right to return policy should only occur if the city has also established a down payment assistance program (see Action 2.f.).

2.e. Adopt short-term rental regulations to minimize impacts on long-term housing availability.

When a property owner rents out an entire living unit on a short-term basis (generally a period of time less than 30 days), that housing unit cannot be used for the community's long-term housing needs. Regulating short-term rentals can reduce negative impacts to the housing market as well as the neighborhood where the short-term unit is located. While this action is most effective in communities that attract a robust tourism base, establishing regulations/registration for this use ensures the city can track the impact short-term rentals have on long-term rentals.

2.f. Establish a down payment assistance program.

Washington State has a number of programs that provide down payment assistance to first time and low-income home buyers. Establishing a down payment assistance program at the local level can assist more households in the Thurston County community towards the goal of homeownership. Down payment assistance typically takes the form of a low- or no-interest loan to the home buyer, which can be paid back as part of the mortgage or at the time the mortgage is paid off, the home is sold/transferred to a new owner, or the property is refinanced.

For more information on state down payment assistance programs, see the Washington State Housing Finance Commission.

2.g. Identify and implement appropriate tenant protections that improve household stability.

Tenant protections help avoid or slow the process of displacement for households by preserving housing units, a household's tenancy, or access to information and assistance. Examples of tenant protections include but are not limited to:

- Adopting a just cause eviction ordinance that requires landlords to provide tenants with a legally justifiable reason for the eviction.
- Adopting a preservation ordinance, requiring developers to replace affordable housing units demolished as part of redevelopment.
- Adopting an eviction mitigation ordinance to find ways to mutually end a rental agreement rather than evicting tenants.
- Adopting an opportunity to purchase policy that better involves tenants in the decision-making process when a dwelling unit is to be sold.
- Developing a program to incentivize landlords to accept tenants with poor credit or criminal history.
- Improving enforcement of landlord/tenant laws.
- Increasing a tenant's access to legal assistance for landlord/tenant issues.
- Limiting or regulating fees associated with rental housing applications.
- Requiring landlords to establish payment plans for tenants that get behind on rent.

Each tenant protection has positive and negative aspects that should be reviewed and considered before implementing, and both tenants and landlords should be involved in the review process. For

more information on protections offered by the Residential Landlord Tenant Act, see [Chapter 59.18 RCW](#).

Strategy 3: Expand the overall housing supply by making it easier to build all types of housing projects.

3.a. Offer developers density and/or height incentives for desired unit types.

Increasing height limits or the number of dwelling units per acre can provide an incentive for developers to include desired unit types. Desired unit types depend on the neighborhood or policy context and could include defining the type of building (courtyard apartment or manufactured home, for example), the need for income-restricted units, units of a certain size, or units containing a certain number of bedrooms.

3.b. Allow third-party review of building permits for development projects.

While retaining control of issuing building permits, a city may find third-party reviews helpful for maintaining good customer service and ensuring reviews are timely as demand for reviews increase or the permit counter is short-staffed. Third-party reviews may also be employed if expedited review policies are established.

As of January 2021, the Cities of Lacey, Olympia, and Tumwater have each indicated building permit review times are generally within acceptable time frames for review.

3.c. Develop a plan for adapting vacant commercial space into housing.

New technology – and the current COVID-19 pandemic – are changing how people work and shop. The increase in telework decreases the need for office space. More online shopping increases the need for warehouses but decreases the need for brick-and-mortar retail space.

Planning for converting vacant commercial office and retail space with low market value into residential use can meet the needs of property owners losing rents and households needing housing. A streamlined permitting process can help transition vacant commercial space into needed residential units.

3.d. Expand allowance of residential tenant improvements without triggering land use requirements.

For improvement projects that add housing but have minimal neighborhood impacts – such as accessory dwelling units (ADUs) or conversions from single-family to a duplex or triplex, – waiving building, engineering, and land use requirements can reduce the cost to the property owner or developer. Before implementing, cities should consider the impact of waiving requirements for parking, frontage improvements, landscaping improvements, etc. as waving some standards may not be appropriate given the context of the neighborhood.

3.e. Reduce parking requirements for residential uses, including for multifamily developments near frequent transit routes.

Because parking can be expensive to install or take up valuable site area, reducing parking associated with new development or redevelopment can lower overall development costs. Reducing parking requirements can result in increased density and be an appropriate trade-off when the development is near transit routes that receive frequent service. Additionally, fewer residents are likely to own vehicles in areas within walking distance of frequent bus service or neighborhood centers.

3.f. Identify strategically placed but underdeveloped properties and determine what barriers exist to developing desired housing types.

It is not always clear why a property especially suitable for residential development is underutilized. Identifying existing barriers can lead to a better understanding of how existing codes, infrastructure, and market conditions affect the viability of development projects that contain desired unit types. Desired unit types depend on the neighborhood or policy context and could include defining the type of building (four-story building or courtyard apartments, for example), the need for income-restricted units, units of a certain size, or units containing a certain number of bedrooms. Identifying barriers may lead to the city making investments in roads or utilities and present an opportunity to capture the value of city investments that spur private development (see Action 6.e). Barrier identification may also lead to changes to improve/streamline city codes, policies, and processes.

3.g. Increase minimum residential densities.

Increasing minimum residential densities allows more dwelling units to be built per acre of land, can reduce the cost of each housing unit, increases the likelihood of public transit ridership, improves a neighborhood's walkability, and reduces the per housing unit cost of providing urban services (water, sewer, garbage, etc.).

3.h. Reduce minimum lot sizes.

Like increasing minimum residential densities, reducing minimum lot sizes allows more dwelling units to be built per acre of land, can reduce the cost of each housing unit, increases the likelihood of public transit ridership, improves a neighborhood's walkability, and reduces the per housing unit cost of providing urban services (water, sewer, garbage, etc.). For low-density developments like single-family neighborhoods, it also allows for smaller and low-maintenance yards.

3.i. Lower transportation impact fees for multifamily developments near frequent transit service routes.

Transportation impact fees are one-time charges assessed by a local government against a new development project to help pay for establishing new or improving existing public streets and roads. The streets and roads must be included in a community's Comprehensive Plan. The fee must directly address the increased demand on that road created by the development. For multifamily developments near

frequent transit service routes, the idea is that many residents and visitors are able to utilize the public transit system, thereby reducing the impact of the development on public streets and roads.

January 2021 Transportation Impact Fees (rounded to the nearest dollar)

- **Lacey:** \$610-\$3,989 per dwelling unit. Varies according to unit type with detached single-family dwellings having the highest fees.
- **Olympia:** \$728-\$3,219 per dwelling unit. Varies according to unit type with detached single-family dwellings having the highest fees.
- **Tumwater:** \$497-\$3,919 per dwelling unit. Varies according to unit type with detached single-family dwellings having the highest fees. Assisted living facilities have a fee of \$439 per bed.

3.j. Expand the multifamily tax exemption to make it available in all transit corridors.

The Cities of Lacey, Olympia, and Tumwater have each established a multifamily tax exemption (MFTE) program but utilize the program for specific areas of their respective communities where they desire a more urban residential or mixed-use pattern of development. The target areas as of January 2021 are:

- **Lacey:** Applies to the Woodland District.
- **Olympia:** Generally applies to downtown Olympia and portions of Harrison Avenue and State/Fourth Avenues.
- **Tumwater:** Generally applies to the Brewery District, Capitol Boulevard Corridor, Tumwater Town Center, and the Littlerock Road Subarea.

Opening the program to transit corridors can lead to more units being constructed in areas with low transportation costs and more units – at least for a time – affordable to low-income households.

3.k. Allow deferral of impact fee payments for desired unit types.

New development impacts existing municipal and community investments, and impact fees are a way to ensure new development pays their fair share. Impact fees may be delayed, but they must be paid before the impact is realized. Delaying payment of such fees allows a developer building desired unit types to spread the costs of a development over a longer period of time. State law already requires the Cities of Lacey, Olympia, and Tumwater to establish a system for deferring impact fee payments for small, single-family residential developments. This action would expand the deferral program to developments with desired unit types.

Desired unit types depend on the neighborhood or policy context and could include defining the type of building (courtyard apartment or manufactured home, for example), the need for income-restricted units, units of a certain size, or units containing a certain number of bedrooms.

See also Action 1.k.

3.l. Simplify land use designation maps in the comprehensive plan to help streamline the permitting process.

Development must be consistent with a community's comprehensive plan; broad land use categories in the comprehensive plan provide the vision while more precise land use zones provide the implementation framework. Land use designations that are too specific in a comprehensive plan may require a developer to apply for a comprehensive plan amendment in addition to a zone change. Because comprehensive plan amendments are typically considered only once a year, this can slow the permitting process down substantially.

- **Lacey:** 33 land use designations in the Comprehensive Plan implemented by 33 land use zones.
- **Olympia:** 15 future land use designations in the Comprehensive Plan implemented by 33 land use zones.
- **Tumwater:** 19 future land use designations in the Comprehensive Plan implemented by 19 land use zones.

3.m. Integrate or adjust floor area ratio standards.

Floor area ratio (FAR) is the ratio of a building's total floor area to the size of the property it sits on. Using FAR in place of density limits provides flexibility for developers to utilize more units and unit types. FAR can be used in place of density limits and when larger buildings are desired but using both standards (FAR and density limits) can result in limiting the number of units developed as well as the size of buildings constructed. FAR standards can also be paired with design guidelines to ensure the building form is consistent with existing or desired development.

3.n. Maximize use of SEPA threshold exemptions for residential and infill development.

The State Environmental Policy Act (SEPA) review process is intended to ensure government actions have fully taken into consideration the environment before a decision is made. Actions that will likely result in an adverse impact on the environment must go through a more rigorous review (an environmental impact statement or EIS). Some projects are exempt from the SEPA review process because their impact on the environment is generally considered to be minimal and not adverse, but developments must still meet environmental standards. Single-family and multifamily developments with four or fewer units are automatically exempt from review under SEPA, and state law allows cities to adopt more flexible exemptions. The Cities of Lacey, Olympia, and Tumwater may exempt single-family developments with up to 30 units and multifamily developments with up to 60 units from SEPA review.

Table A-1. Adopted SEPA Exemptions as of January 2021

Exemptions	Development Type	
	Single-Family	Multifamily
Allowed per SEPA	30 units	60 units
Lacey	4 units	60 units
Olympia	9 units	No exemption
Tumwater	9 units	60 units

Infill Exemptions

In order to accommodate infill development, the Cities of Lacey, Olympia, and Tumwater may adopt SEPA exemptions for infill development to help fill in urban growth areas.

To qualify for the infill exemption:

- An EIS must already be issued for the comprehensive plan or the city must prepare an EIS that considers the proposal's use or density/intensity in the exempted area.
- The density of the area to be infilled must be roughly equal to or lower than what the adopted comprehensive plan calls for.
- The development must be residential, mixed-use, or non-retail commercial development. Commercial development that exceeds 65,000 square feet does not qualify for the exemption.
- Impacts to the environment from the proposed development must be adequately addressed by existing regulations.

If a city takes action to adopt an infill exemption before April 1, 2023, the city's action cannot be appealed through SEPA or the courts.

Planned Actions

Up front review and analysis of impacts to the environment can help streamline the process for developments. Individual developments projects associated with an adopted plan (subarea plan or master planned development, for example) can be exempted from further SEPA review when a threshold determination or EIS has been issued for the adopted plan. The threshold determination or EIS for the adopted plan must detail the project-level impacts of the proposed development, thereby forgoing the need for review when the specific project applies for permitting.

For more information, see:

- RCW 43.21C.229 (infill exemptions).
- RCW 43.21C.440 (planned actions).

3.o. Consult with Washington State Department of Transportation as part of the SEPA review process to reduce appeals based on impacts to the transportation element for residential, multifamily, or mixed-use projects.

The State Environmental Policy Act (SEPA) provides citizens with a process for challenge decisions made by jurisdictions and government agencies. While an important tool for holding government accountable, SEPA appeals can slow down projects, adding time and costs to the approval process.

HB 1923 – passed into law in 2019 – recognized that SEPA appeals add cost to infill and affordable housing projects while having minimal impact on transportation systems. The law provides cities with an option to protect SEPA decisions from appeal based on impacts to the transportation element of the environment when:

- The approved residential, multifamily, or mixed-use project is consistent with the adopted transportation plan or transportation element of the comprehensive plan.
- The required impact fees and/or traffic and parking impacts are clearly mitigated under another ordinance.

- Washington State Department of Transportation (WSDOT) determines the project would not present significant adverse impacts to the state-owned transportation system.

Consultation with WSDOT as part of the SEPA review process can help streamline the development process. For residential, multifamily, and mixed-use projects that do not meet the criteria above, the right to appeal the SEPA decision is maintained.

For more information, See [RCW 43.21C.500](#).

Strategy 4: Increase the variety of housing choices.

4.a. Increase the types of housing allowed in low-density residential zones (duplexes, triplexes, etc).

As previously discussed, zoning regulations may unintentionally bar disadvantaged populations, including people of color, from neighborhoods due to restrictions on the size and types of housing that are affordable and accessible such to them. When housing in low-density residential zones is generally limited to single-family homes, the zone does not meet community needs for ensuring affordable housing options are available to a wider array of households. Examples of housing types that may be appropriate for low-density zones include but are not limited to:

- Duplexes, triplexes, and quadplexes.
- Townhouses.
- Accessory dwelling units.
- Courtyard apartments.

Not every low-density zone is the same, and some types of housing are more appropriate than others. Cities will need to determine the most appropriate housing types for low-density residential zones.

4.b. Allow more housing types in commercial zones.

Like low-density residential zones, commercial zones may benefit from more diversity in housing types, especially as changes in consumer shopping habits and employer work policies (telework, for example) open opportunities to convert commercial space into housing. Examples of housing types that may be appropriate for commercial zones include but are not limited to:

- Live/work units.
- Multifamily units.
- Townhouses.
- Courtyard apartments.

Not all housing types are appropriate in commercial zones, and analysis will need to be done to determine the most appropriate housing types for a commercial zone.

4.c. Adopt a form-based code to allow more housing types and protect the integrity of existing residential neighborhoods.

A form-based code uses the physical form and design of the public realm (building façade and streetscape) as the framework for regulation rather than the need to separate uses. Because of this, form-based codes are most useful in mixed use zones where the widest variety of uses are already allowed and encouraged. Form-based codes are also useful when the goal is to protect an existing neighborhood character or where developing a cohesive character is desired.

4.d. Allow single-room occupancy (SRO) housing in all multifamily zones.

Single room occupancy housing are rentals units consisting of small rooms intended for a single person to occupy. Kitchen and bathroom facilities are typically shared, as are other amenities offered by the housing facility. SROs and other types of micro housing (dormitories, small efficiency dwelling units, etc.) offer affordable options at both subsidized and market rates. Such uses are appropriate for and can integrate well in multifamily zones.

4.e. Strategically allow live/work units in nonresidential zones.

A live/work unit is a single dwelling unit consisting of both a commercial/office space and a residential component that is occupied by the same resident who has the unit as their primary dwelling. The intent is to provide both affordable living and business space for a resident/business owner. The configuration of the live/work unit can vary:

- Live-within. The workplace and living space completely overlap.
- Live-above. The workplace is below the living space with complete separation between the two.
- Live-behind. The workplace is in front of the living space with complete separation between the two possible.
- Live-in-front. The workplace is behind the living space (typically a single-family dwelling) with some overlap between the two possible.

Although home occupations are a type of live/work unit, the emphasis here is on a more intensive nonresidential component (size, traffic generation, employees on site, etc.) that may not be appropriate to classify as a home occupation. Live/work units may also be appropriate in residential zones. In either case, cities will need to conduct additional analysis to determine the locations and types of uses appropriate for live/work units.

Strategy 5: Continually build on resources, collaboration, and public understanding to improve implementation of housing strategies.

5.a. Conduct education and outreach around city programs that support affordable housing.

Providing the public and developers information about affordable housing programs can help households in need find assistance and developers identify resources for building desired unit types. Desired unit types depend on the neighborhood or policy context and could include defining the type of building (triplex or single-room occupancy building, for example), the need for income-restricted units, units of a certain size, or units containing a certain number of bedrooms. Education and outreach can also invite community dialogue on the need for diverse housing options in the community.

5.b. Fund Housing Navigators to assist households, renters, homeowners, and landlords with housing issues.

Housing issues are complex, and so are the resources available to households and landlords. When problems arise or a party needs to find information, having a designated resource to navigate issues and identify resources (development funding, tax assistance, housing opportunities, legal aid, weatherization programs, etc.) gives people more tools to reach their goals.

5.c. Identify and develop partnerships with organizations that provide or support low-income, workforce, and senior housing as well as other populations with unique housing needs.

Both for-profit and non-profit agencies provide or support low-income, workforce, and senior households. They often have expertise to deliver programs and housing the Cities of Lacey, Olympia, and Tumwater do not have as well as access to funding streams unavailable to the cities. Identifying shared vision and goals can help each organization leverage funding and improve household access to assistance.

5.d. Establish a rental registration program to improve access to data and share information with landlords.

Understanding how many dwelling units are being rented, the types of units being rented, and the cost of rent is important information needed to understand the impacts on landlords and tenants of many of the actions in this plan. It also provides the Cities of Lacey, Olympia, and Tumwater with an easy way to reach out to landlords and tenants, who are both important stakeholders when enacting many of the actions in this plan. This action is particularly suited to being implemented at the regional level and may be appropriate for the cities to develop through the Regional Housing Council. Doing so would ensure the same data is collected across the jurisdictions effectively and economically.

Strategy 6: Establish a permanent source of funding for low-income housing.

6.a. Develop a comprehensive funding strategy for affordable housing that addresses both sources of funding and how the funds should be spent.

Without a comprehensive funding strategy, it will be difficult to ensure dollars earmarked for developing affordable housing in the community are used to their full effect and meet the greatest need. A comprehensive funding strategy takes into consideration how the funds can be used, whether they can be leveraged to obtain other funding (grants, loans, etc.), and the types of projects the funding can support. This action is particularly suited to being implemented at the regional level and may be appropriate for the cities to develop through the Regional Housing Council.

6.b. Establish an affordable housing property tax levy to finance affordable housing for very low-income households.

The Cities of Lacey, Olympia, and Tumwater may impose a property tax levy up to \$0.50 per \$1,000 of a property's assessed value to fund affordable housing. The levy must be used for low-income households.

The levy, which lasts for up to 10 years, can only be enacted if:

- The city declares an emergency exists concerning the availability of affordable housing for households served by the levy.
- A majority of voters approve it.
- The city adopts a financial plan for spending the money.

If a property tax levy were enacted at the maximum rate of \$0.50 per \$1,000 of assessed value, homeowners can expect their property taxes to go up. This amounts to \$175 per year for a home valued at \$350,000 (Table A-2). Households that rent can expect their monthly rent to increase on average between \$6.71 and \$11.91 each month, depending on the type of unit rented.

Table A-2. Additional costs to households with a \$0.50 per \$1,000 property tax levy

Owner-Occupied*		Renter-Occupied	
Assessed Value	Additional Property Taxes (annual)	Building Size	Additional Monthly Rent (average) per unit
\$350,000	\$175	Single-Family Dwelling	\$11.91
\$450,000	\$225	2-, 3-, and 4-plex units	\$9.04
\$550,000	\$275	5+ unit apartments	\$6.71

Note: Rates for owners only apply to detached single-family homes. Costs – which are rounded – are based on the 2017 total assessed value of all taxable non-exempt properties and are adjusted for inflation to 2020 dollars.

Source: Thurston County Assessor.

Thurston County also has the ability to establish a property tax levy. If both cities and Thurston County impose the levy, the last jurisdiction to receive voter approval for the levies must be reduced or eliminated so that the combined rate does not exceed the \$0.50 per \$1,00 of assessed property value.

If the Cities of Lacey, Olympia, and Tumwater each enact the levy, nearly \$9.7 million could be collected for affordable housing in 2021 (Table A-3). If the tax levy were adopted countywide, more than \$30 million would be available to serve low-income households in 2021. This includes developing new housing, enabling affordable homeownership, and making home repairs.

Table A-3. Potential affordable housing funding from maximum property tax levy

Jurisdiction	2020 Assessed Property Values	Potential Affordable Housing Funds
Lacey	\$7.4 billion	\$3.7 million
Olympia	\$8.2 billion	\$4.1 million
Tumwater	\$3.9 billion	\$1.9 million
TOTAL (cities only)	\$19.5 billion	\$9.7 million
TOTAL (Countywide)	\$31.5 billion	\$31.5 million

Note: Values – which are rounded – are based on the 2020 total assessed value of taxable non-exempt properties. Potential affordable housing funds are based on the total assessment of all properties combined.

Source: Thurston County Assessor.

Property Tax Levies

- **Lacey:** has not established a property tax levy.
- **Olympia:** has not established a property tax levy.
- **Tumwater:** has not established a property tax levy.
- **Thurston County:** has not established a property tax levy.

For more information, see [RCW 84.52.105](#).

6.c. Establish an affordable housing sales tax.

Beginning in 2020, cities may establish a 0.1 percent affordable housing sales tax by legislative authority or by voter approval. At least 60 percent of the revenue must be used for one or more of the following:

- Constructing affordable housing (new construction or retrofitting an existing building).
- Constructing facilities providing housing-related services.
- Constructing mental and behavioral health-related facilities.
- Funding the operations and maintenance costs of the above three projects.

Thurston County can also establish the affordable housing sales tax. If it does so before the Cities of Lacey, Olympia, and Tumwater, the cities will not be able to establish their own funds. If the cities and Thurston County impose the sales tax, the County must provide a credit to the cities for the amount they would have collected. If the Cities of Lacey, Olympia, and Tumwater had been able to enact an

affordable housing sales tax in 2019, nearly \$5 million would be available to serve low-income households (Table A-4).

For more information, see [RCW 82.14.530](#).

Table A-4. Potential affordable housing funding from maximum affordable housing sales tax in 2019

Jurisdiction	2019 Taxable Retail Sales	Potential Affordable Housing Funds
Lacey	\$1.5 billion	\$1.5 million
Olympia	\$2.4 billion	\$2.4 million
Tumwater	\$0.9 billion	\$0.9 million
TOTAL (cities only)	\$4.8 billion	\$4.8 million
TOTAL (countywide)	\$6.2 billion	\$6.2 million

Note: Taxable retail sales are rounded.

Source: Washington State Department of Revenue, [Taxable Retail Sales](#).

Affordable Housing Sales Tax

- **Lacey:** has not established an affordable housing sales tax.
- **Olympia:** established an affordable housing sales tax in 2018, referred to as the “Home Fund.” Approximately 65 percent of funds are dedicated to construction projects and 35 percent to housing program operations. Must be re-authorized by voters in 2028.
- **Tumwater:** has not established a sales tax.
- **Thurston County:** has not established an affordable housing sales tax.

6.d. Establish a regional housing trust fund to provide dedicated funding for affordable housing. Housing trust funds are distinct funds established by local governments to receive funding to support housing affordability. It is not an endowment that operates from earnings but acts as a repository, preventing funds from being coopted for other purposes. Establishing a housing trust fund is particularly suited to being implemented at the regional level and may be appropriate for the cities to develop through the Regional Housing Council.

6.e. Use value capture to generate and reinvest in neighborhoods experiencing increased private investment (with a focus on areas with planned or existing transit).

Value capture is a type of public financing that recovers some or all the value public infrastructure generates for private landowners. When roads are improved, water and sewer lines extended, or new parks or public amenities developed, property values tend to increase. Value capture is best planned for from the outset of a project and can include developer contributions and special taxes and fees.

Appendix B.

Considered Actions

In developing this plan, many actions were considered, though not all were included. This appendix provides a full list of the actions considered in the plan's development. Where appropriate, explanations for why an action was excluded are included. Actions were developed and refined over six months and the wording may not match previous versions.

Action Status (Plan Reference)	Action	Explanation for Exclusion
Included (1.a)	Donate or lease surplus or underutilized jurisdiction-owned land to developers that provide low-income housing.	
Excluded	Create shovel-ready housing developments that can be handed off to a developer to construct.	Action is out of scale with what our region can reasonably accomplish. Cities do not have the budgets or expertise to perform this action.
Excluded	Purchase property with the intent to donate or lease to developers that provide income-restricted affordable housing.	Combined with Action 1.a.
Included (3.a)	Offer developers density and/or height incentives for desired unit types.	

Action Status (Plan Reference)	Action	Explanation for Exclusion
Included (1.b)	Require PRDs/PUDs for low-density development and include standards for including low-income housing.	
Excluded	Make regulations and permit processing more predictable, to remove some uncertainty for both builders and lenders.	Action not specific enough. Other actions more specifically address the need to improve predictability of regulations and permit processing.
Excluded	Allow third-party review and approval of development projects (anytime OR when cities are backlogged).	See Action 3.b.
Included (3.b)	Allow third-party review of building permits for development projects.	
Excluded	Adopt a single development code for Lacey, Olympia, Tumwater, and the UGAs to make regulations and permit processing more predictable.	Each community has a different identity with a desire for different standards.
Excluded	Waive reviews for energy code compliance when a project receives a green building certification.	It does not appear that a green building certification actually makes housing more affordable vs. complying with energy code. In the right market conditions, may be an incentive to buy.
Excluded	Require shot clocks for permit processing.	State law already requires timelines for review, and each city is able to accomplish their reviews in a timely manner.
Included (1.c)	Adopt a "Notice of Intent to Sell" ordinance for multifamily developments.	
Included (1.d)	Provide funding for the Housing Authority of Thurston County and other non-profit organizations to income-restricted units proposed to be converted to market rate housing.	
Included (2.a)	Provide displaced tenants with relocation assistance.	
Implemented	With major comprehensive plan updates, confirm land is suitably zoned for development of all housing types.	
Excluded	On a regular basis, hold a series of community meetings to discuss how housing and zoning regulations affect equity goals.	See Action 5.a.

Action Status (Plan Reference)	Action	Explanation for Exclusion
Included (4.a)	Increase the types of housing allowed in low-density residential zones (duplexes, triplexes, etc).	
Excluded	Allow more housing types in commercial and industrial zones.	See Action 4.c.
Included (4.b)	Allow more housing types in commercial zones.	
Included (4.c)	Adopt a form-based code for mixed-use zones to allow more housing types and protect the integrity of existing residential neighborhoods.	
Included (3.c)	Develop a plan for adapting vacant commercial space into housing.	
Included (3.d)	Expand allowance of residential tenant improvements without triggering land use requirements.	
Excluded	Prior to finalizing a draft for public review, vet comprehensive plans and development code changes with the development community to ensure desired housing types and locations are supported by market conditions.	See Action 1.e.
Included (1.e)	As part of comprehensive plan and development code changes, include an evaluation of the impact such changes will have on housing affordability, especially for low-income households.	
Implemented	Recognize modular/manufactured housing as a viable form of housing construction.	
Excluded	Provide for a dynamic mix of residential land uses and zones in order to create a diverse mix of sites available for different housing types	This action is already implemented. .
Implemented	Simplify requirements for accessory dwelling units (ex: title notification, owner living on site, etc.).	

Action Status (Plan Reference)	Action	Explanation for Exclusion
Implemented	Allow accessory dwelling units in all residential zones.	
Excluded	Allow accessory dwelling units in commercial zones.	Not an issue that's ever been raised to staff; need to focus on actions that have real and lasting impacts.
Included (3.e)	Reduce parking requirements for residential uses, including for multifamily developments near frequent transit routes.	
Included (3.f)	Identify strategically placed but underdeveloped properties and determine what barriers exist to developing desired housing types.	
Excluded	Identify strategically placed properties where up zoning is appropriate.	see Action 3.f.
Implemented	Require minimum residential densities.	
Included (3.g)	Increase minimum residential densities.	
Included (3.h)	Reduce minimum lot sizes.	
Excluded	Support and plan for assisted housing opportunities using federal, state, or local aid.	Action not clear/specific enough
Excluded	Support diverse housing alternatives and ways for older adults and people with disabilities to remain in their homes and community as their housing needs change.	Action not specific enough. Other actions more specifically address the need to support diverse housing alternatives for seniors.
Excluded	Retain existing subsidized housing.	None of the cities have subsidized units at this time, so it is not an action they would pursue. Other actions can support other entities in retaining existing subsidized housing.
Excluded	Encourage new housing on transportation arterials and in areas near public transportation hubs.	Action not specific enough. See Actions 3.i and 3.e for actions that more specifically address the issue of housing near transportation facilities.

Action Status (Plan Reference)	Action	Explanation for Exclusion
Included (3.i)	Lower transportation impact fees for multifamily developments near frequent transit service routes.	
Excluded	Reduce parking requirements for multifamily developments near frequent transit routes.	Combined with Action 3.e.
Implemented	Allow group homes in all residential zones and commercial zones that allow residential uses.	
Excluded	Limit the density of group homes in residential areas to prevent concentration of such housing in any one area.	May create a hindrance to ensuring there is enough housing opportunities for seniors. There are nearly 150 adult family homes in Thurston County now; their concentration in any one area is not known to be an issue.
Included (1.f)	Provide funding for renovating and maintaining existing housing that serves low-income households or residents with disabilities.	
Excluded	Support programs to improve energy efficiency, health conditions and public recognition of improvements in low-income rental housing	Statewide need - not just a local need. Combined with Action 1.f.
Excluded	Fund programs that improve the energy efficiency and health conditions in low-income rental housing.	Combined with Action 1.f.
Excluded	Encourage self-help housing efforts and promote programs in which people gain home equity in exchange for work performed in renovation or construction.	Action not specific enough. See Action 1.p.
Included (1.p)	Partner with local trade schools to provide renovation and retrofit services for low-income households as part of on-the-job-training.	
Excluded	Establish a manufactured home park zone to promote their preservation.	See Action 2.c.
Included (2.c)	Rezone manufactured home parks to a manufactured home park zone to promote their preservation.	
Included (1.g)	Allow manufactured home parks in multifamily and commercial areas.	

Action Status (Plan Reference)	Action	Explanation for Exclusion
Included (1.h)	Provide funding for low-income and special needs residents to purchase housing through community land trusts.	
Excluded	Fund programs that prevent homelessness for persons returning to the community from institutional or other sheltered settings (including foster care).	Action better suited to the Thurston County Homeless Response Plan.
Excluded	Fund self-sufficiency and transitional housing programs that help break the cycle of homelessness.	Deals with a temporary/emergency housing situation better addressed through the Regional Housing Council and other, more targeted efforts to address homelessness.
Excluded	Provide funding to the Regional Housing Council for temporary emergency housing programs.	Deals with a temporary/emergency housing situation better addressed through the Regional Housing Council and other, more targeted efforts to address homelessness.
Implemented	Adopt design standards that assist new forms or high-density housing and promote infill.	
Included (4.d)	Allow single-room occupancy (SRO) housing in all multifamily zones.	
Included (4.e)	Strategically allow live/work units in nonresidential zones.	
Excluded	Promote PUD/PRD and cluster subdivisions.	See Action 5.a.
Implemented	Establish a multifamily tax exemption.	
Included (6.a)	Develop a comprehensive funding strategy for affordable housing that addresses both sources of funding and how the funds should be spent.	
Excluded	On a regular basis, evaluate the effectiveness of how the multifamily tax exemption is being used to further affordable housing goals.	
Included (6.b)	Establish an affordable housing property tax levy to finance affordable housing for very low-income households.	
Included (6.c)	Establish an affordable housing sales tax.	

Action Status (Plan Reference)	Action	Explanation for Exclusion
Included (3.j)	Expand the multifamily tax exemption to make it available in all transit corridors.	
Included (1.i)	Offer density bonuses for low-income housing.	
Excluded	Require developers to provide income-restricted units as part of low-density developments.	The Thurston Region does not have the market to implement this action. Requires a market evaluation before implementing.
Excluded	Require property owners to provide an affordable housing fee when building homes over a certain size.	The Thurston Region does not have the market to implement this action. Requires a market evaluation before implementing.
Excluded	Establish alternative development standards for affordable housing. (standards in the zoning code to support affordable housing)	Action not specific enough. See Action 1.j.
Included (1.j)	Define income-restricted housing as a different use from other forms of housing in the zoning code.	
Included (1.k)	Offer and/or expand fee waivers for low-income housing developments.	
Excluded	Expand fee waivers for affordable housing developments.	Combined w/ Action 1.k.
Included (3.k)	Allow deferral of impact fee payments for desired unit types.	
Included (1.l)	Require low-income housing units as part of new developments.	
Included (1.m)	Fund development projects that increase low-income housing through grants or loans.	
Included (6.d)	Establish a regional housing trust fund to provide dedicated funding for affordable housing.	
Excluded	Establish a local housing trust fund to provide dedicated funding for low-income housing.	Coordination at the regional scale will have more of an impact than developing individual plans.
Excluded	Create partnerships with local housing groups to increase affordable housing options for seniors and other populations with unique needs.	Combined w/ Action 5.c.

Action Status (Plan Reference)	Action	Explanation for Exclusion
Implemented	Make strategic investments in infrastructure expansion to reduce development costs.	
Included (3.l)	Simplify land use designation maps in the comprehensive plan to help streamline the permitting process.	
Excluded	Inventory housing units dedicated for seniors, low-income households, and ADA-accessible units.	Data should support the actions that result in change.
Excluded	Inventory substandard housing units (units with poor energy efficiency, indoor air quality/mold issues, etc.).	Data should support the actions that result in change.
Included (5.d)	Establish a rental registration program to improve access to data and share information with landlords.	
Excluded	Require the owners of rental properties to obtain a business license.	Data should support the actions that result in change.
Excluded	On a regular basis, inventory rental housing.	Data should support the actions that result in change.
Included (3.m)	Integrate or adjust floor area ratio standards.	
Implemented	Relax ground floor retail requirements to allow residential units.	
Implemented	Reduce setbacks and increase lot coverage/impervious area standards.	
Excluded	Maximize SEPA threshold exemptions for single-family and multifamily development proposals.	See Action 3.n.
Included (3.n)	Maximize use of SEPA threshold exemptions for residential and infill development.	
Excluded	Utilize SEPA exemptions to encourage infill development in urban growth areas	See Action 3.n.
Excluded	Create subarea plans with non-project environmental impact statements.	See Action 3.n.
Excluded	Develop SEPA-authorized "planned actions" to streamline permitting process in designated areas.	See Action 3.n.

Action Status (Plan Reference)	Action	Explanation for Exclusion
Included (3.o)	Consult with Washington State Department of Transportation as part of the SEPA review process to reduce appeals based on impacts to the transportation element for residential, multifamily, or mixed-use projects.	
Implemented	Process short plat applications administratively.	
Excluded	Process preliminary long plat applications that meet specific requirements administratively.	Can implement this but if even one person requests a public hearing, a public hearing must be held. May not be worth implementing if a public hearing is always anticipated and it has different noticing requirements from the norm (administrative headaches).
Excluded	Market available housing incentives.	See Action 5.a.
Excluded	Establish a foreclosure intervention counseling program.	Already existing programs that fill this need.
Included (1.n)	Establish a program to preserve and maintain healthy and viable manufactured home parks.	
Excluded	Require developers to provide relocation assistance when a manufactured home park cannot be preserved.	
Excluded	Help residents convert manufactured home parks into cooperatives.	See Action #63
Excluded	Adopt a just cause eviction ordinance.	See Action 2.g.
Included (2.d)	Adopt a “right to return” policy.	
Included (2.e)	Adopt short-term rental regulations to minimize impacts on long-term housing availability.	
Included (2.f)	Establish a down payment assistance program.	
Excluded	Establish a property tax assistance program for low-income homeowners.	This may not be in the cities’ purview.
Excluded	Establish a property tax assistance program for homeowners with disabilities.	This may not be in the cities’ purview.

Action Status (Plan Reference)	Action	Explanation for Exclusion
Excluded	Require an impact analysis for new housing and land use proposals.	This action will lead to an increase in housing costs. Transportation impact analyses are already required where needed.
Excluded	Require subsidized housing be integrated with unsubsidized housing.	See Action 1.l.
Excluded	Develop and implement an education and outreach plan for affordable housing options	See Action 5.a.
Included (5.a)	Conduct education and outreach around city programs that support affordable housing.	
Included (5.b)	Fund Housing Navigators to assist households, renters, homeowners, and landlords with housing issues.	
Excluded	Review and, if necessary, update property maintenance codes (including standards for mold/moisture) to keep housing in good repair.	Enforcement of property maintenance codes is really the issue. See Action #76a
Included (1.o.)	Enhance enforcement of property maintenance codes to keep housing in good repair.	
Excluded	Co-locate emergency, transitional, and permanent affordable housing.	This is an action that is taken by the developer; may not be appropriate for the city to require.
Excluded	Working through the Regional Housing Council, identify appropriate locations for emergency housing within each jurisdiction.	This action deals with a temporary/emergency housing situation better addressed through the Regional Housing Council and other, more targeted efforts to address homelessness.
Included (5.c)	Identify and develop partnerships with organizations that provide or support for low-income, workforce, and senior housing as well as other populations with unique housing needs.	
Excluded	Look at options for creating workforce housing.	Action is not specific enough. Need to define what exactly should the cities be doing.

Action Status (Plan Reference)	Action	Explanation for Exclusion
Excluded	Explore creating dormitory-style housing, similar to what colleges have, with common bathrooms and communal kitchens for transitional housing.	See Action 4.d.
Excluded	Identify underutilized properties ripe for redevelopment.	See Action 3.f.
Excluded	Review the recommendations in the Urban Corridors Task Force Report (TRPC, 2012).	Data should support the actions that result in change.
Excluded	Adopt a preservation ordinance.	Combined with Action 2.g.
Included (1.p)	Partner with low-income housing developers (such as Habitat for Humanity) to expand homeownership opportunities.	
Excluded	Identify and remove code and fee impediments/disincentives to affordable housing.	Like equity, need to review all actions through an affordable housing lens. See Action 1.e.
Included (6.e)	Use value capture to generate and reinvest in neighborhoods experiencing increased private investment (with a focus on areas with planned or existing transit).	
Excluded	Limit or regulate fees associated with rental housing applications.	See Action 2.g.
Excluded	Require landlords to establish payment plans for tenants that get behind on rent.	See Action 2.g.
Excluded	Eviction mitigation to find mutual termination of rental agreement instead of evicting tenants.	See Action 2.g.
Excluded	Improve access to enforcement landlord/tenant laws (court enforcement is a barrier).	See Action 2.g.
Excluded	Increase access to legal assistance for landlord/tenant issues (free or sliding scale).	See Action 2.g.
Excluded	Program to incentivize LLs to accept tenants with poor credit or criminal history.	See Action 2.g.
Included (2.g)	Identify and implement appropriate tenant protections that improve household stability.	



LACEY CITY COUNCIL WORKSESSION

June 10, 2021

SUBJECT: Lacey Midtown District Assessment and Housing Strategy

RECOMMENDATION: Receive a briefing from staff and the City's consultant on the Lacey Midtown District Assessment and Housing Strategy.

STAFF CONTACT: Scott Spence, City Manager *SS*
Rick Walk, Community and Economic Development Director
Ryan Andrews, Planning Manager *RA*

ORIGINATED BY: Community and Economic Development Department

ATTACHMENTS:

1. [Draft Midtown District Assessment and Housing Strategy](#)
2. [Draft Midtown District Assessment Summary](#)
3. [Woodland District Actions](#)

FISCAL NOTE: The recommendations contained within the Assessment will require staff resources or additional funding to complete.

PRIOR REVIEW: None.

BACKGROUND:

The City of Lacey is developing a district-level strategy to attract urban infill multi-family housing development to the Lacey Midtown District. The goal of the focused study is to produce a report based on a SWOT analysis for Midtown. The report provides key baseline data and information to attract multi-family housing to the Lacey Midtown District consistent with the City's Comprehensive Plan and concurrent with the development of the City's Housing Action Plan. The City has contracted with Heartland, LLC, a Seattle-based real estate advisory and investment firm, to prepare the strategy.

In 2013, the [Woodland District Strategic Plan](#) was developed as an action-based plan to guide revitalization, development of private investment, public places, and transportation infrastructure. The Plan validated the vision of the Downtown 2000 plan and identified residential as a key land use in the Woodland District Strategic Plan. The market analysis supporting the strategic plan projected a future market capacity of over 1,000 new residential units within the District.

In addition, the Woodland District Strategic Plan identified 25 key actions (see attachment #3) designed to provide the necessary framework and incentives to catalyze investment and development. Several strategic actions have been implemented, including development of a [form-based development code](#) for the area and the development of a [district brand identity program](#) to attract new investments and produce a cohesive district characterized by great places. This brand identity program was completed in 2019, giving Woodland District a new name of Lacey Midtown. Implementation of the branding program is currently delayed because of the COVID-19 pandemic.

The City of Lacey Comprehensive Plan has identified the Midtown District as an area to accommodate additional residential growth, regional planning initiatives have identified the District as an Urban Center, the Woodland District Strategy Plan identified potential residential capacity and the City's 2019 Affordable Housing Strategy focused on housing issues and strategies citywide. Even with all this robust cumulative planning work, a housing-specific strategy to the Midtown district has not been previously completed. The City has seen some redevelopment in this area since 2016 but not to the extent that is needed to fulfill housing demands identified in the above described planning documents. See [Appendix A](#) of the City of Lacey Comprehensive Plan's Housing Element of the City of Lacey Affordable Housing Strategy.

The study includes an initial assessment and evaluation of the Midtown District and submarket, focusing on real estate, demographic and economic trends affecting multifamily development in the area. The assessment includes an evaluation of existing land use patterns, infrastructure and identification of opportunity sites for housing. The findings from the analysis informed development of a series of strategies and action steps for the City to leverage to support the growth and development of the Midtown District.

ADVANTAGES:

1. The findings from the report and the associated strategies will attract further multi-family development in the area and will bring the City closer to realizing the vision of the Midtown District.

DISADVANTAGES:

1. None identified.



Lacey Midtown District

Assessment and Housing Strategy

May 25, 2021

Executive Summary

Executive Summary

Background and Approach

Background

The City of Lacey engaged Heartland LLC, a Seattle based real estate advisory firm, to prepare an assessment and market analysis of the Midtown District in order to inform a district level strategy to attract urban infill multifamily development. The study includes an initial assessment and evaluation of the Midtown District and submarket, focusing on real estate, demographic and economic trends affecting multifamily development in the area. The assessment includes an evaluation of existing land use patterns, infrastructure and identification of opportunity sites for housing. The findings from the analysis informed development of a series of strategies and action steps for the City to leverage to support the growth and development of the Midtown District.

Project Objectives

- > Identify opportunity sites for multifamily development
- > Evaluate multifamily market characteristics
- > Assess amenities and infrastructure within the Midtown District
- > Evaluate the policy and regulatory environment
- > Produce a strategy to help the City attract urban infill multifamily development



Contents of this Report

Heartland's analysis focused on broader demographic, economic and real estate market trends. The analysis was used to inform a review of on the ground conditions as well as the regulatory environment that landowners and developers must work within.

Key Tasks

- > Existing Conditions and Market Assessment
- > Land Use Inventory/District Asset Map
- > Market Analysis + SWOT Assessment
- > Stakeholder/Developer interviews
- > Housing/Marketing Strategy

Executive Summary

Analysis Findings

Demographic & Economic Overview

- > Lacey has experienced a higher growth rate than neighboring Olympia and has even outpaced King County. Regional planning policy is calling for continued growth in terms of housing and employment that will outpace other nearby cities.
- > Demographic trends indicated the City is family oriented with a higher proportion of military veterans. There is also a balance of renters and homeowners, although rents are less affordable in Lacey than elsewhere.

Existing Conditions Assessment

- > The location of the Midtown District, demographics of the region, and its overall accessibility are its greatest strengths.
- > There is limited existing housing stock in Midtown and much of the District is dominated by aging office and retail uses, posing a potential challenge for redevelopment in the near term.
- > Existing infrastructure, especially as it relates to circulation, streetscape, and public amenities, is lacking.

Market Analysis

- > Recent market indicators suggest that low rise multifamily housing is feasible, but higher density mixed-use/podium style developments may be more challenging to implement in the near term.
- > There has been almost no new housing developed in the district, but a recent development proposal is an indicator of growing interest and the potential for the area to attract additional investment.

SWOT Summary and Strategies

The following table summarized findings from the SWOT analysis. On the following page are strategies and actions that address findings from the SWOT analysis.

HELPFUL		HARMFUL		
Strengths		Weaknesses		
INTERNAL (Controllable)	• Parks and Trails • Freeway Proximity • Centrally Located Transit Center • Mature Trees • Clear Vision • Business-Friendly Reputation	• High Land Basis • Undefined Market • Inhospitable Pedestrian Environment West of Golf Club Road SE • Limited Amenities to Support Housing • Regulatory Barriers		
	Opportunities		Threats	
	EXTERNAL (Uncontrollable)	• Positive Demographic Trends • Existing Institutional Presence • Opportunity Zone • Softening Retail • Interested Property Owners • Adequate Parcel Sizes	• Lack of Example Development • Competition from other Localities • Financial Feasibility of Urban Density Projects is Challenging • Limited Vacant Land • Covid-19	

Executive Summary

I. Strategy Regulatory Audit - Evaluate adjustments to current land use code to align with market conditions and market supported building typologies

- > **Zoning Lookback** Conduct a Woodland District Zoning Lookback and consider revisions outlined in the Regulatory Review of this report.
- > **Pilot Project Incentive** To catalyze a pioneer project, develop a pilot project program with incentives to encourage development in the District (Example: reduced fees for new development in the next two years).
- > **Extend MFTE Program** Extend the current MFTE program beyond 2024 so new opportunities can account for this benefit.
- > **Conduct Parking Study** Conduct a parking study to evaluate the potential for shared parking policies and the potential for parking requirement reductions.
- > **Evaluation of Changing Product Formats** Conduct study of the evolution of changing product formats accelerated by the COVID-19 pandemic and relative effects on land use to inform regulatory audit.
- > **Focus Housing Density in Midtown** Ensure that policy and capital investments in the City support the Midtown District as the City's focus area for housing growth in the future.

III. Strategy Stakeholders– Pursue Strategic Partnerships with key stakeholders and landowners

- > **Engage Local Universities** Support and facilitate partnerships for student housing that would support Saint Martin's University and South Puget Sound Community College and their plans for growth in the area.
- > **Develop Acquisition Plan** As an overall implementation approach, identify underutilized properties for acquisition by the City that could support housing development. This will allow the City to ensure housing is being built where possible.
- > **Engage in Public Private Partnerships** Engage major land-owners of underutilized sites and consider partnerships to encourage redevelopment.
 - Funding and implementation of major street and connectivity improvements
 - Partnering to help fund and/or implement new parks/open space
- > **Curate and Grow Partnerships** Develop and maintain a list of potential strategic partners, both public and private, that may be interested in investing in the Midtown District now or in the future.

II. Strategy Public Investment – Invest capital to support your vision

- > **Expand/Improve Parks and Trails** Expand and/or improve the existing parks and trails infrastructure including implementation of improvements identified in the Midtown District Mid-Town Urban Design Brand Elements for Huntamer Park.
- > **Improve Sidewalks and Wayfinding** Improve/complete sidewalk, wayfinding, and connectivity to the existing trail network that runs through the Midtown District.
- > **Implement Streetscapes** Implement the streetscape standards/improvements you've already identified in the Mid-Town Urban Design Brand Elements and Woodland District Strategic Plan.
- > **Foster a Sense of Place** Identify potential locations for public art and other public realm beautification measures that will contribute to the District's sense of place.
- > **Assess Stormwater and Wastewater Capacity** Monitor stormwater and wastewater infrastructure capacity and impact on development feasibility. Invest in preemptive system capacity building to facilitate new development.
- > **Focus Public Investment** Focus investment on civic opportunities such as libraries, play fields, and event spaces. Plan for future strategy to attract civic and public facilities to the district.

IV. Strategy Communication – Clearly define the message and communicate the vision for the Midtown District

- > **Create Marketing Package** Create a marketing package the City can use and share with interested landowners and developers. It is important the City first implements actions outlined in strategies I, II, and III to strengthen the communicable opportunity.
- > **Develop Cohesive Messaging** Develop a cohesive message that you want to communicate about the opportunity and clearly define what the Midtown District is (boundaries, etc).
- > **Highlight City Investment** Highlight investment in the area by the City (see Strategy II) as well as private developers/landowners.
- > **Position District as Downtown** Continue to position the District as your downtown and center of activity/programming (events, etc).
- > **Continue Building Positive Relationships** Maintain and continue to leverage the City's business friendly reputation to attract local and regional developers.

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1. Approach
2. Demographic & Economic Overview
3. Existing Conditions Assessment
4. Market Analysis
5. SWOT Analysis
6. Strategy

1. Approach

Approach and Scope

Goal of this Report. Heartland has been engaged by the City of Lacey to prepare an assessment of the Midtown District and analyze market conditions in order to inform a district level strategy to attract urban infill multifamily development.

Approach. Heartland's approach consisted of an initial assessment and evaluation of the Midtown District and submarket, focusing on real estate, demographic, and economic trends affecting multifamily development in the area. The assessment included an evaluation of existing land use patterns, infrastructure, and identification of opportunity sites for housing. Heartland summarized findings into a Strength, Weaknesses, Opportunity and Threats (SWOT) assessment which then informed stakeholder outreach and formulation of housing focused strategies.

Project Objectives

- Identify Opportunity Sites for multifamily development
- Evaluate multifamily market characteristics
- Assess amenities and infrastructure within the Midtown District
- Evaluate the policy and regulatory environment
- Produce a strategy to help the City attract urban infill multifamily development

Key Tasks

- Existing Conditions and Market Assessment
- Land Use Inventory/District Asset Map
- Market Analysis + SWOT Assessment
- Stakeholder/Developer Interviews
- Housing/Marketing Strategy



2. Demographic & Economic Overview

Demographic Trends Influencing Multifamily

Lacey Population Growth at 24%. The City of Lacey's population grew by 24% between 2010 and 2019, nine percent faster than Thurston County over the same time period. Defying general trends of growth within the urban core in recent years, the less urbanized cities of Tumwater and Lacey have experienced a higher growth rate than neighboring Olympia and have even outpaced King County.

Median Households Can Afford \$1,470 in Rent. Lacey has a median household income of \$66,675 per year. HUD defines a household as 'housing cost burdened' if they are spending more than 30% of their annual income on housing expenses. Accounting for \$200 in utilities, the median family in Lacey would be cost burdened with rent of more than \$1,470 per month.

Figure 2.1 – Population and Growth

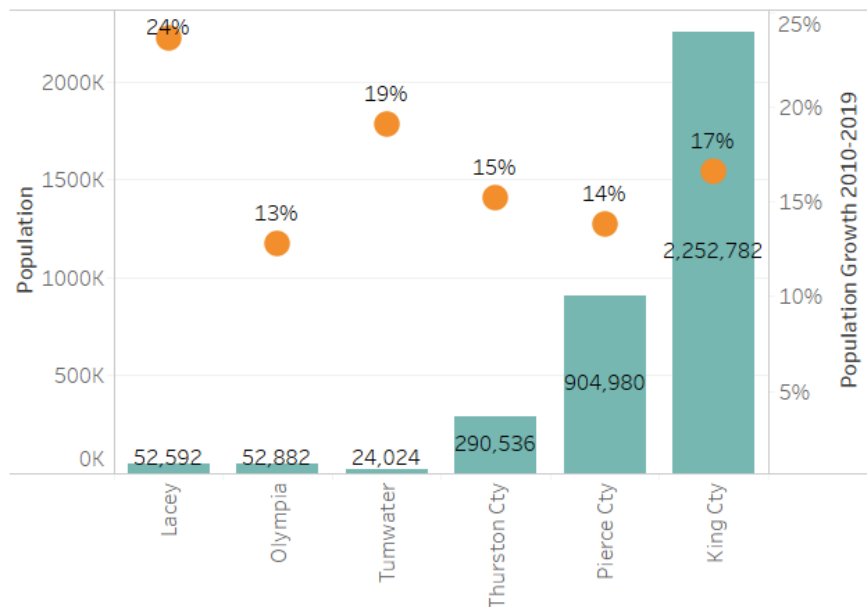
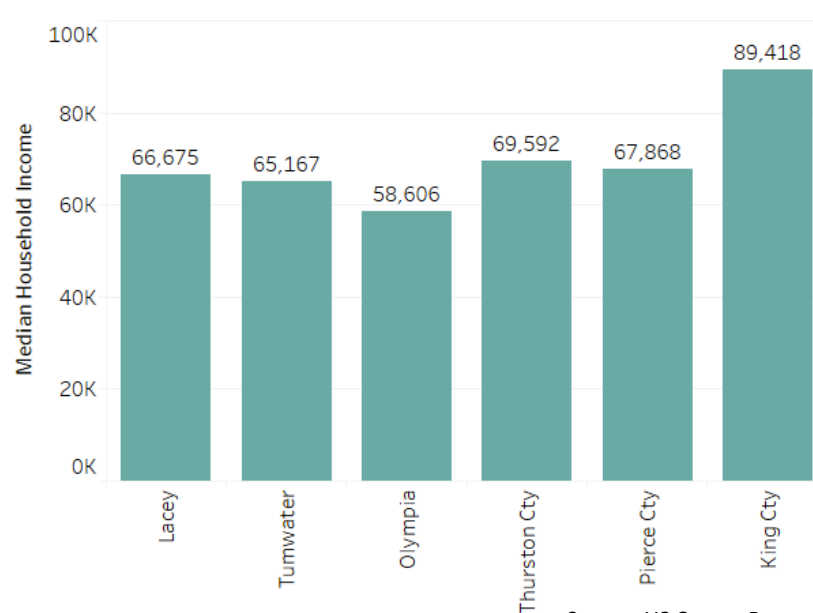


Figure 2.2 – Household Incomes



Source: US Census Bureau

Demographic Trends Influencing Multifamily

Figure 2.3 – Age & Education

	Lacey	Olympia	Tumwater	Thurston Cty	Pierce Cty	King Cty
Age 65 +	16%	17%	14%	18%	14%	14%
Age 18 -	23%	18%	21%	21%	23%	20%
Age 5 -	8%	5%	5%	6%	7%	6%
% Veteran	11%	7%	8%	10%	10%	5%
Bachelor's Degree	33%	45%	38%	36%	26%	51%
High School Graduate	95%	94%	95%	94%	91%	93%

Figure 2.4 – Housing

	Lacey	Olympia	Tumwater	Thurston Cty	Pierce Cty	King Cty
Persons Per Household	2.5	2.2	2.4	2.5	2.7	2.5
Home Ownership Rate, 2014-2018	54.0%	45.6%	53.8%	63.7%	61.7%	57.1%
Median Gross Rent, 2014-2018	1,295	1,089	1,150	1,192	1,186	1,494
Median Home Cost with Mortgage	1,658	1,732	1,761	1,730	1,809	2,372
Median Home Value, 2014-2018	251,700	276,300	261,400	271,300	277,000	493,500
Did Not Move Last Year	76%	74%	80%	81%	83%	81%

Source: US Census Bureau

Family Oriented. The City of Lacey has a slightly younger population than the neighboring cities of Tumwater, and Olympia. The demographic of population under age 18 is 5% higher in Lacey compared to Olympia and 2% higher when compared to Tumwater.

Veteran-Based. Lacey is veteran-oriented with 4% more veterans per capita than Olympia, and 3% more than Tumwater, even above Thurston County levels.

Fewer College Degrees. The percent of people with a bachelor's degree in Lacey is 15% lower compared to Olympia and 5% lower compared to Tumwater.

Balanced Rate of Home Ownership. 54% of Lacey households are homeowners; 10% higher than the rate in Olympia and relatively equal to the rate in Tumwater. County-wide homeownership rates are approximately 64%.

Less Affordable Rent. Median gross rent in Lacey stands at \$1,295 per month, \$206 per month higher than Olympia and \$145 per month higher than Tumwater. Unit sizes in Lacey are smaller than Tumwater but higher than Olympia. The 'rent vs own gap' in Lacey is lower than that of Olympia and Tumwater, making home ownership more attainable compared to the metro region as a whole.

Economic Trends Influencing Multifamily

Significant Employment Growth Forecast. The Thurston Regional Planning Council (TRPC) estimates total job growth in Lacey to increase 62% by 2045. This outpaces projections for both Olympia and Tumwater and equates to a 2.2% annual increase, or 751 new jobs per year. Sectors that are expected to show the greatest growth include wholesale trade, arts entertainment and recreation, accommodation and food services, and finance and insurance. Jobs related to state government, a large driver in local employment, are expected to grow in Lacey at nearly twice the rate of Olympia.

Figure 2.5 – Employment Forecast

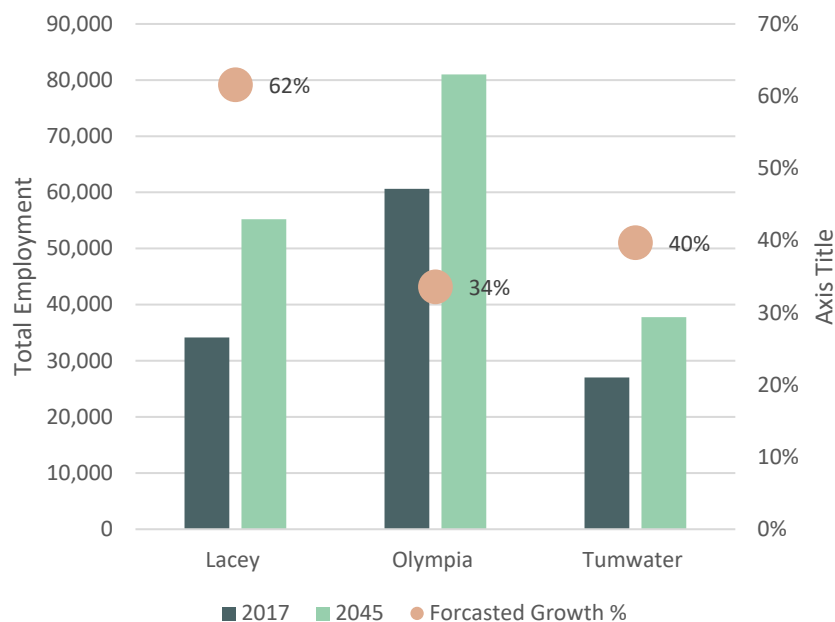
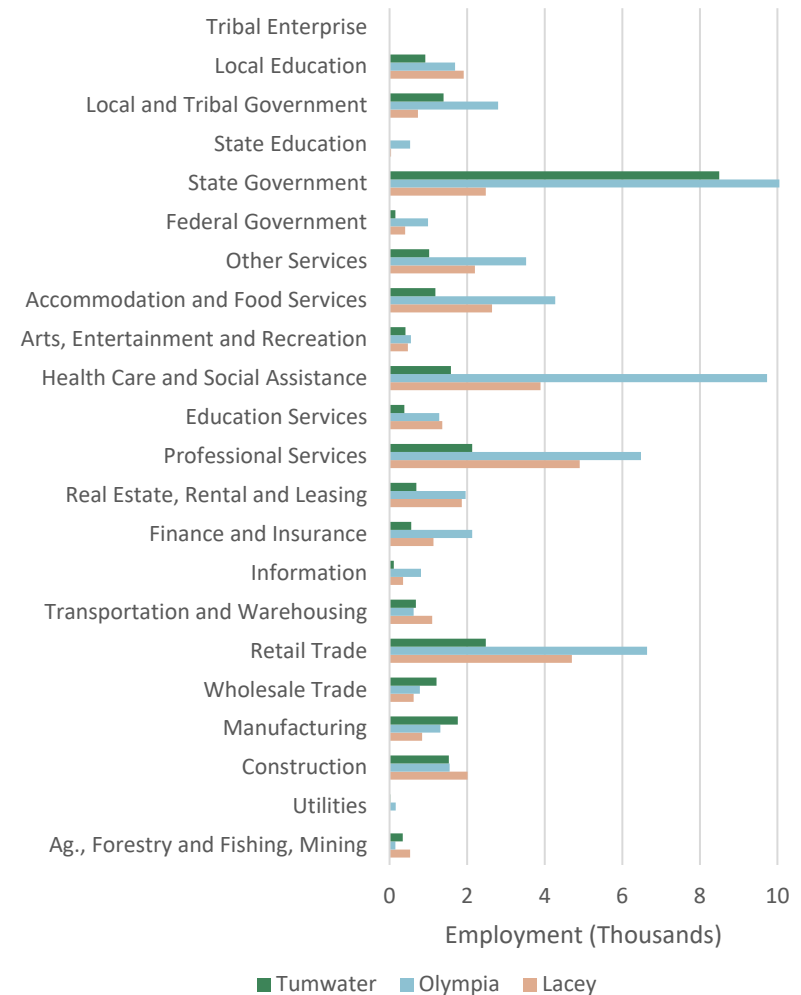


Figure 2.6 – Employment by Industry



Source: Thurston Regional Planning Council

Economic Trends Influencing Multifamily

Strong Government Employment. Per the U.S Bureau of Labor Statistics 38% of the Olympia-Tumwater MSA employment is government-affiliated. This is followed by Trade, Transportation, and Utilities at 19% and Professional and Business Services at 13%. Federal employment is not reported but has a significant impact on local employment.

Figure 2.7 – Olympia –Tumwater MSA Occupations



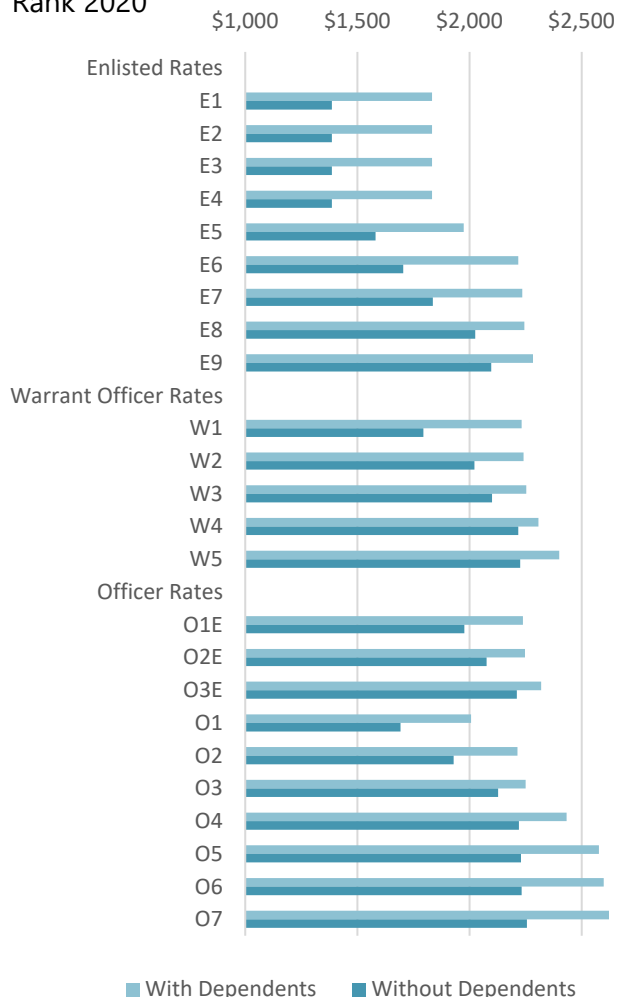
Source: U.S. Bureau of Labor Statistics

Joint Base Lewis McChord (JBLM) Impact. The University of Washington, Tacoma, reports that JBLM employs 51,000 people. The Base is the largest single site employer in the state of Washington and is the 4th largest military base in the world. Lacey's close proximity to the Base has a strong influence on housing demand.

Figure 2.7 shows housing allowances per rank.

Washington State Government Impact. According to TRPC, the Washington State Government is the largest employer located within Thurston County. The State employed approximately 26,000 people in 2019. In 2020, annual wages for state employees average \$72,000. For the average state employee, this equates to an affordable housing budget of approximately \$1,800 per month or \$1,600 after utilities.

Figure 2.8 – JBLM Monthly Housing Allowance by Rank 2020



Source: Joint Base Lewis McChord Housing

Economic Trends Influencing Multifamily

Significant Housing Demand Forecast. TRPC

projects Lacey will add 14,180 new housing units by 2045. This accounts for 38% of all new housing units that will be added to the MSA over this time period.

Significant Multifamily Demand Forecast. Multifamily units in Lacey currently make up 28% of the housing stock. Assuming a constant share of multifamily going forward, this would equate to 3,970 new multifamily units out of the 14,180 new housing units by 2045. This estimate of new multifamily housing units provides a baseline for future projections. With land becoming increasingly scarce, however, the proportion of multifamily units as a share of total housing unit deliveries is expected to grow over the projected period. Therefore, it is likely that actual multifamily unit production will outpace this baseline estimate.

Table 2.9 – Housing Stock & Forecast

	Lacey	Olympia	Tumwater	Total
Housing Stock				
Housing Units 2020	36,550	30,880	12,230	79,660
Additional Housing Units 2045	14,180	14,150	9,240	37,570
Current Share of Total Housing Units 2020	46%	39%	15%	100%
City Share of Total Additional Housing Units 2045	38%	38%	25%	100%
Multifamily Stock				
Multifamily Units 2020	10,140	13,130	3,910	27,180
2020 Housing Stock % Multifamily	28%	43%	32%	NA
2045 Additional Multifamily Units ⁽³⁾	3,970	6,085	2,957	13,012

(1) Data Source CoStar

(2) Includes associated Urban Growth Areas (UGA)

(3) Projection based on current proportion of Multifamily to total housing stock.

(4) Housing unit counts per city include the city's Urban Growth Area

Source: Thurston Regional Planning Council

3. Existing Conditions Assessment

Midtown Existing Conditions: Amenities

Heartland conducted an overall assessment of existing conditions across the district, with a focus on the building environment as well as identification of potential opportunity sites.

Assets

- Bike Trails and connectivity to larger network
- Huntamer Park
- Retail services – Fred Meyer, Target
- Transit – regional transit center
- Freeway access and visibility
- Access to employment centers in Olympia and to the north (JBLM)
- Pedestrian-friendly urban realm east of Golf Club Dr SE

Challenges

- Lack of pedestrian scale/destination retail
- Need for expanded and improved park/open space throughout the District
- Challenging walking environment – large block sizes and parking lots (west of Golf Club Dr SE)
- Missing character/experience-oriented retail
- Lack of housing – relatively unproven market for urban product



Amenities

 Parks & Trails	 Bike Route	 School
 Sidewalks	 Transit Center	 Retail & Restaurants

Midtown Existing Conditions: Land Use Inventory

Heartland conducted an inventory of existing uses to better understand the current land use environment:

- Predominantly retail and office
- Little in the way of residential
- Distinct land use patterns in terms of parcel size and configuration, generally divided along Pacific Ave and Golf Club Dr SE

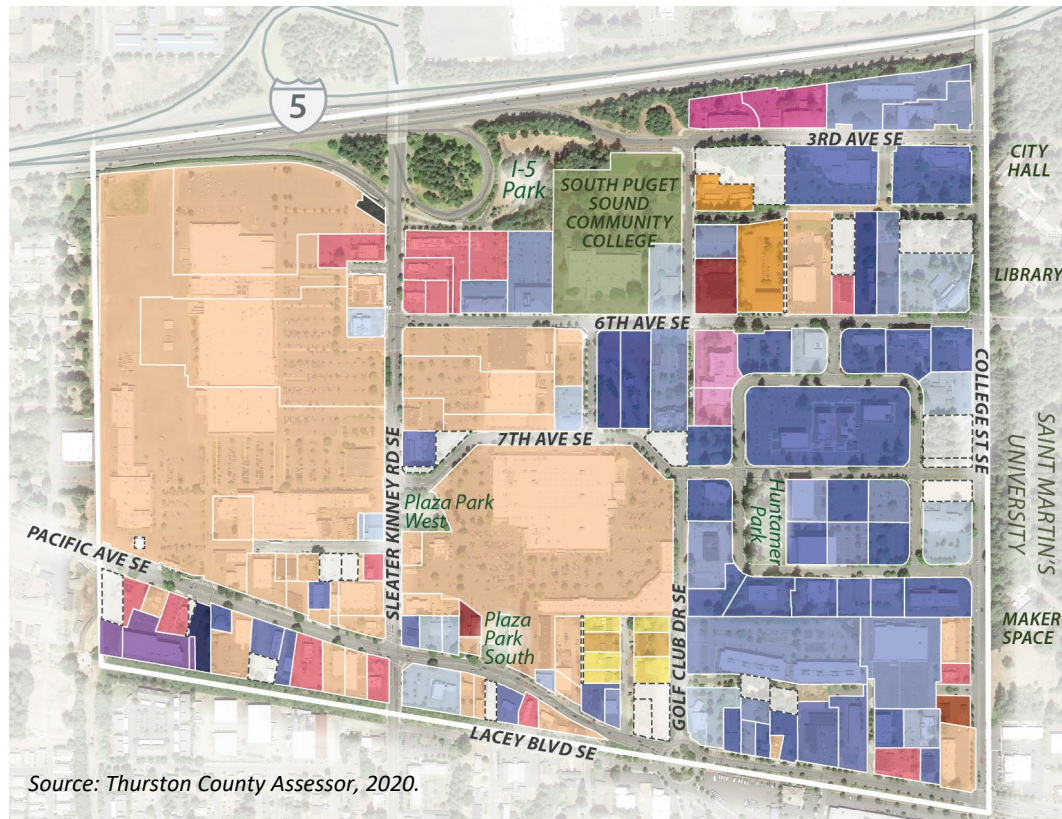


Table 3.1 – Land Use Inventory

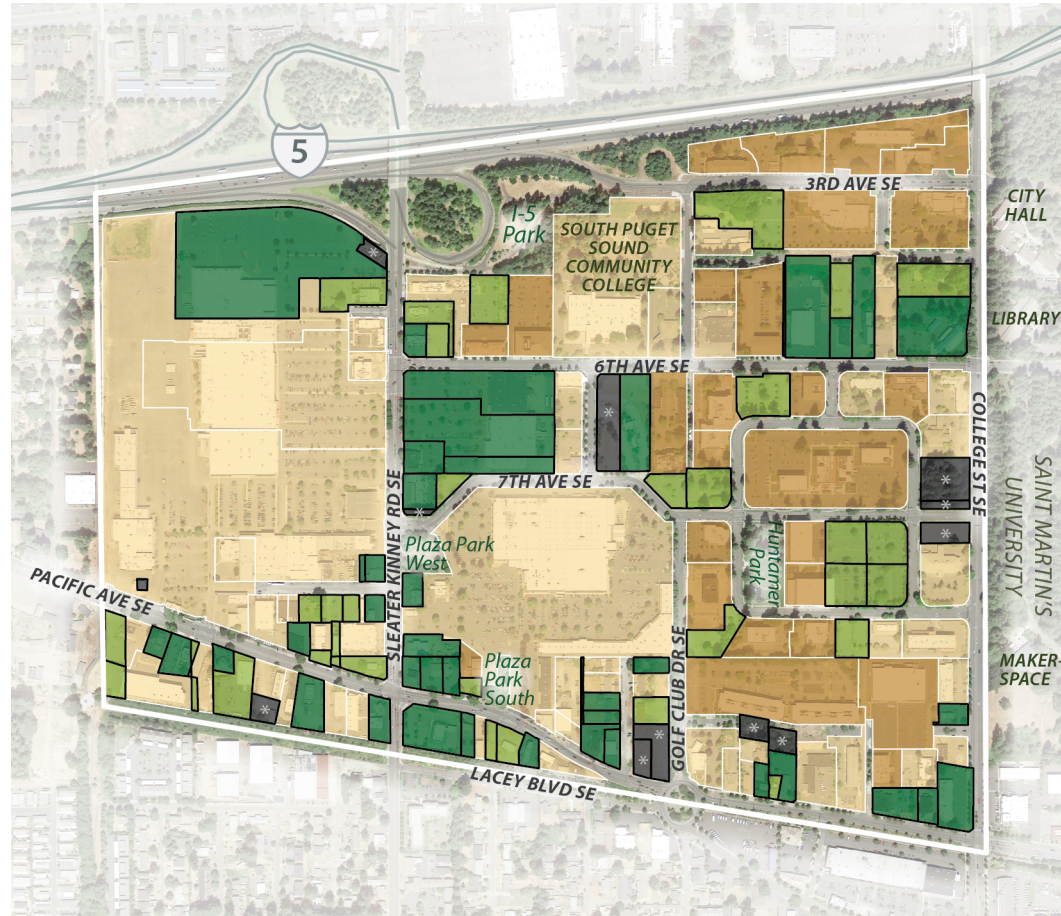
Land Use		Acres	%
Residential/ Housing	Single Family/Single Unit	1.55	0.8%
	2-4-Units Multifamily	0.72	0.4%
	5+-Units Multifamily	2.94	1.5%
Accommodation	Hotel/Motel	2.4	1.2%
Institutional	Healthcare	3.7	1.8%
Transit	Highway ROW	0.6	0.3%
Retail	Retail - General Merchandise	88.73	44.4%
	Retail - Food	7.83	3.9%
	Retail - Auto	1.33	0.7%
	Retail - Other	0.42	0.2%
Office	Service - Financial	11.42	5.7%
	Service - Personal	0.83	0.4%
	Service - Business	22.06	11.0%
	Service - Repair	5.16	2.6%
	Service - Professional	24.95	12.5%
	Service - Government	5.63	2.8%
	Service - Educational	0.56	0.3%
Light Industrial	Warehouse	2.12	1.1%
Other	Cultural/Education	7.94	4.0%
Vacant	Undeveloped Land	9.14	4.6%
Total		200.03	100%

Midtown Existing Conditions: Improvements

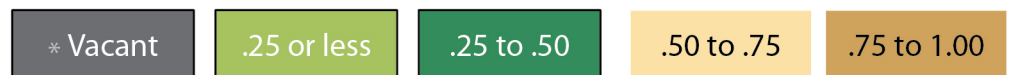
Improvement Value/Total Value	Acres	%	Redevelopment Potential
Vacant	5.9	3%	Vacant and Redevelopable
25% or Less	25.6	12%	
25% - 50%	36.9	18%	
Subtotal	68.4	33%	
50% to 75%	95.3	46%	Higher barriers to Redevelopment
Greater than 75%	43.2	21%	
Subtotal	138.5	67%	

Improvement Value to Total Value Ratio. Approximately one-third of the Subarea could be classified as redevelopable based on a 50% threshold of improvement value to overall assessed value. At a 25% threshold, only 12% of the land area is considered redevelopable.

Midtown Capacity for 2,000 New Units. Using a 50% threshold, there are approximately 68 acres of developable land. Under the current densities of existing projects elsewhere in Lacey (around 30 dwellings per acre), Midtown would have capacity for approximately 2,000 new units, assuming all available parcels were redeveloped with residential use. At the densities typified by the kind of projects the City wants to see occur in the Subarea (80 – 100 units per acre), the same redevelopable land offers capacity for almost 7,000 units. This capacity is well in excess of the baseline forecast for new multifamily city-wide by 2045.



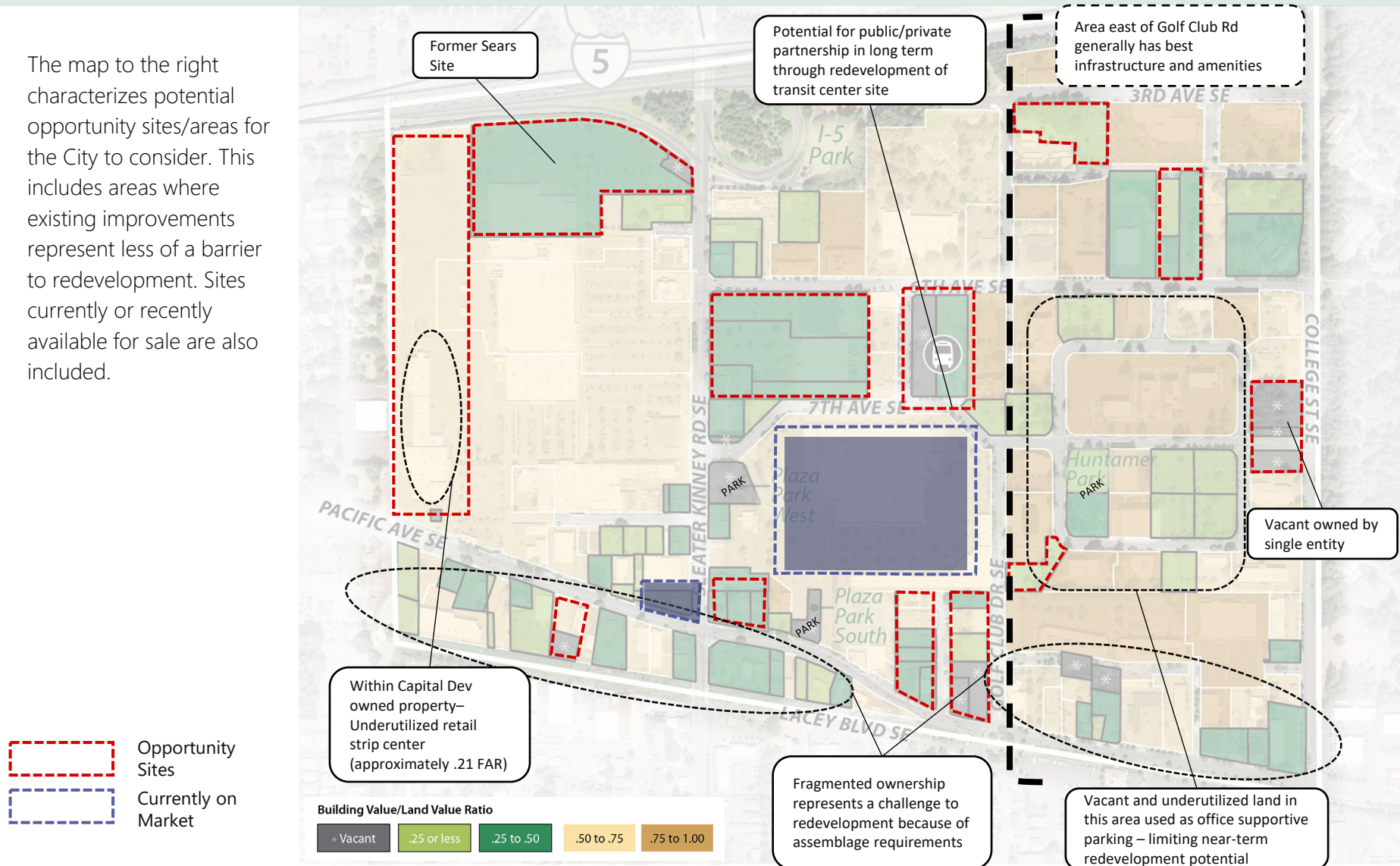
Building Value/Land Value Ratio



Data Source: Thurston County Assessor

Midtown Existing Conditions: Opportunity Sites

The map to the right characterizes potential opportunity sites/areas for the City to consider. This includes areas where existing improvements represent less of a barrier to redevelopment. Sites currently or recently available for sale are also included.



Midtown Existing Conditions: Multifamily

Low Existing Multifamily Stock. Existing multifamily within the Midtown District is limited to two existing properties, 6 Wood Flats and Shadow Wood Apartments. The assets are summarized in Table 3.2. Collectively, these two projects consist of 137 units, 30 of which are affordable.

Unproven Submarket. Takeaways from a review of the existing multifamily within the District include:

- Existing supply is limited.
- Low parking ratio on the market rate units does not appear to be influencing vacancy.
- Neither property provides strong indicators of how a new development would perform. They may set a floor for rents, but new urban construction will not pencil at these ranges. Therefore, we must look toward other, newer, housing stock in the metropolitan area for an indication of the rent ceiling.
- New development within the District will take the risk of proving a local market for new product.

Table 3.2 – Existing Midtown Multifamily Summary

Name	6 Wood Flats	Shadow Wood
Address	4410 6 th Ave SE	402 Golf Club Rd SE
Units	107	30
Market Segment	Market	Affordable
Year Built	2008	1967
Rent /SqFt/Month	\$1.36	\$0.96
Vacancy	3.7%	3.3%
Average Unit Size	820	800
Parking	40	45
Owner	MWH Family Revocable Management Trust	Housing Authority of Thurston County



Midtown Existing Conditions: Other Asset Types

Dominated by Office and Retail. Only 3% of the land area within the District is vacant. The majority of development consists of office and retail uses. The rents and net operating income these assets produce sets a threshold asset value that any redevelopment will have to outperform on a risk-adjusted basis for such development to 'pencil.' Figure 3.5 shows the rent and vacancy trends for office. Similarly Figure 3.6 shows rent and vacancies for retail. These demonstrate inverse relationships between the two sectors with retail vacancies surpassing office in the recent months, likely due to COVID-19.

Table 3.4 - Existing Asset Fundamentals

Asset Type	Office	Retail	Industrial	Hospitality
Property Count	44	91	1	2
Inventory	1.1M SqFt	1.4M SqFt	26K SqFt	144 Rooms
Rent	\$21/ SqFt/ Yr (Full Service)	\$19/ SqFt/ Yr (NNN)	\$6-7/SqFt/ Yr (IG)	Not Available
Vacancy	8%	14%	Not Available	Not Available

(1) Data reflects current values for Oct. 2020 sourced from CoStar

Figure 3.5 - Office Rent & Vacancy Trend

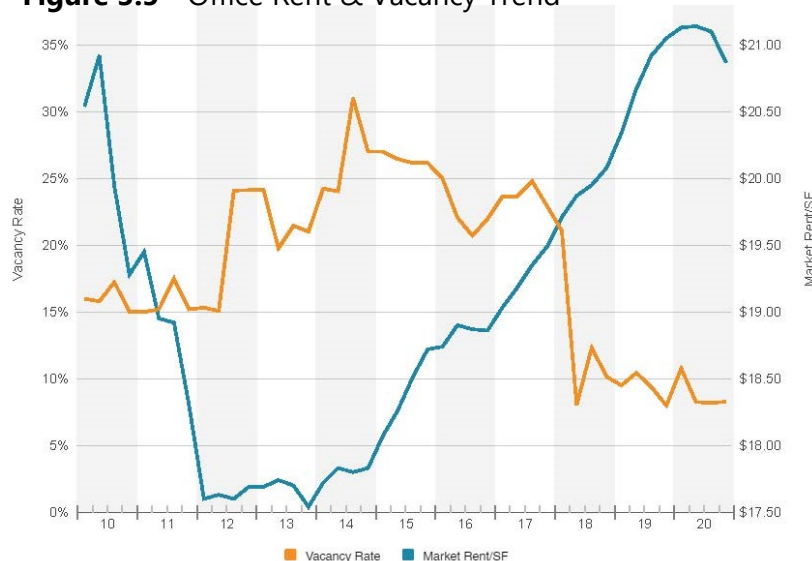


Figure 3.6 - Retail Rent & Vacancy Trend



Source: CoStar Analytics

Midtown Existing Conditions: Sale Transaction Analysis

Land Pricing in low \$30's. A review of real estate transactions in the Midtown District within the last three years reveal the majority were for income value of the existing improvements (comps shown in white below). There are, however, a handful of sales that traded for redevelopment/land value (highlighted below). These ranged in value between \$22 - \$36 PSF, with a median value of \$27 PSF. However,

these parcels are not necessarily intended to be developed with residential. Therefore, this creates an additional threshold determination of land values that multifamily development will have to meet or exceed for the use to be viable compared to competing alternative options.

Table 3.7 – Midtown Sale Transactions

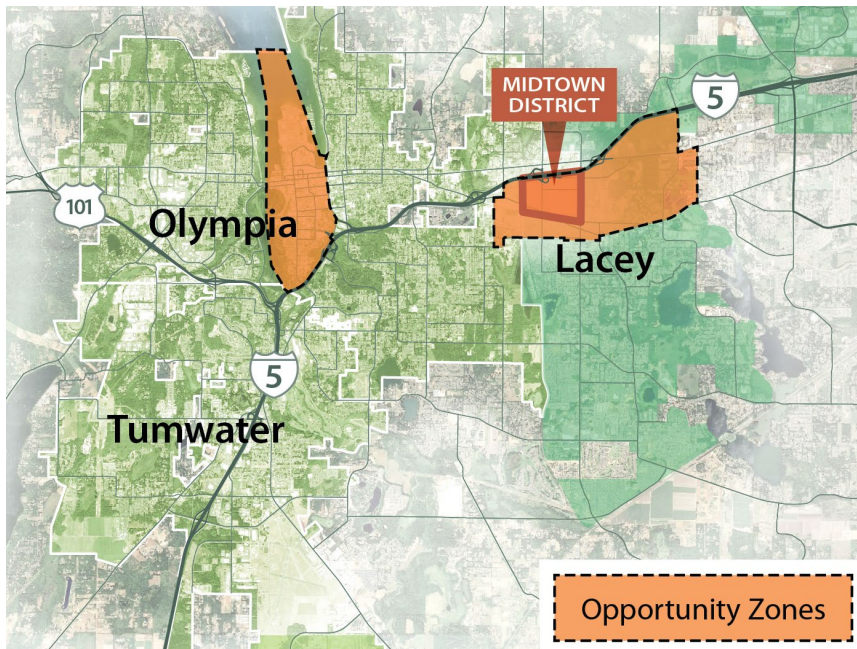
Property Name	Property Type	Buyer	Sale Date	Acres	Year Built	Sale Price	Adj. Price Per SqFt Land	Adj. Price Per SqFt Building
Bell Towne Centre	Office	Calista Education and Culture, Inc	Dec-19	0.7	2001	\$ 5.66M	\$ 200	\$ 128
3929 Pacific Ave SE	Retail	Northwest Building LLC	May-19	0.9	1956	\$ 1.22M	\$ 33	\$ 156
Provident Regional Cancer Center	Office	Broadstone Real Estate	Dec-18	4.2	2004	\$ 19.85M	\$ 120	\$ 681
6th Ave Center	Office/ Retail	Sixthave Investment, LLC	Dec-18	1.7	1973-1989	\$ 3.15M	\$ 47	\$ 104
4320-4330 Pacific Ave SE	Land	MultiCare Health System	Sep-18	0.9	NA	\$ 1.20M	\$ 36	NA
Bell Towne Center	Retail	Michael Kelson	Aug-18	0.7	2001	\$ 3.20M	\$ 122	\$ 215
South Sound Pavilion	Retail	John Burtenshaw	Mar-18	2.5	1958-1988	\$ 3.00M	\$ 32	\$ 102
MJR Assemblage	Retail/ Office	MJR Development, Inc.	Dec-18	1.4	1975	\$ 1.25M	\$ 22	\$ 134
Custom Security Building	Office	Willamette Dental Group	Nov-17	1.3	1978	\$ 2.25M	\$ 46	\$ 56
Jewelry Store	Retail	Matthew Kluh	Nov-17	0.6	1978	\$ 1.08M	\$ 53	\$ 244
Williams Building	Office	Mission 12 LLC	Sep-17	0.2	1984	\$ 0.36M	\$ 42	\$ 168

(1) Sales prices are shown on a time adjusted basis using a 6% annual appreciation

Midtown Existing Conditions: Opportunity Zones

Overview.

- Opportunity Zones (OZ) were established by Congress in 2017 as part of the Tax Cuts and Jobs Act
- The goal of OZs is to encourage long-term investments in low-income and rural communities
- The program provides a tax incentive for investors to re-invest unrealized capital gains into opportunity fund projects.
- Midtown is one of two opportunity zones in the MSA



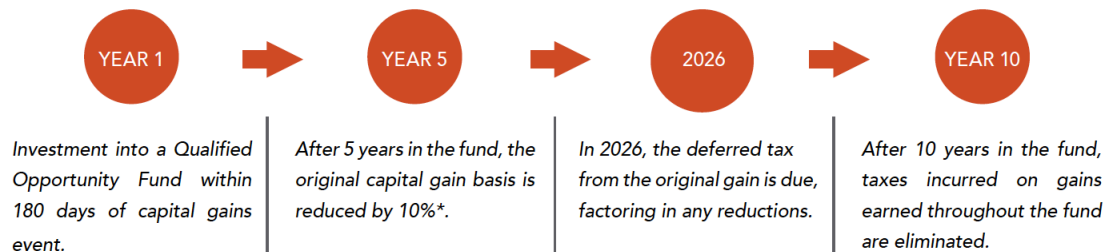
Observations.

- Opportunity Zones (OZ) are not a Panacea. They can make a good project perform better, depending on specific circumstances unique to each investor. But a project that would not pencil without OZ designation is not going to become attractive simply because of OZ status.
- OZ Benefits are Deteriorating. With a fixed backend date of EOY 2026, the tax deferral and tax reduction benefits are winnowing daily. Given development timelines, these benefits will largely not be available to any development projects in Midtown.
- Largest Benefits Misaligned with Developer Risk Profile. Tax elimination on the qualified OZ investment is the strongest attribute of the program, which requires holding the investment for at least 10 years. Most developers build to sell, not to hold, and drive returns through mitigation of development risk with a sale at stabilization, in order to capture high double-digit returns. It is unclear if the elimination of capital gains is compelling enough to flip that equation.

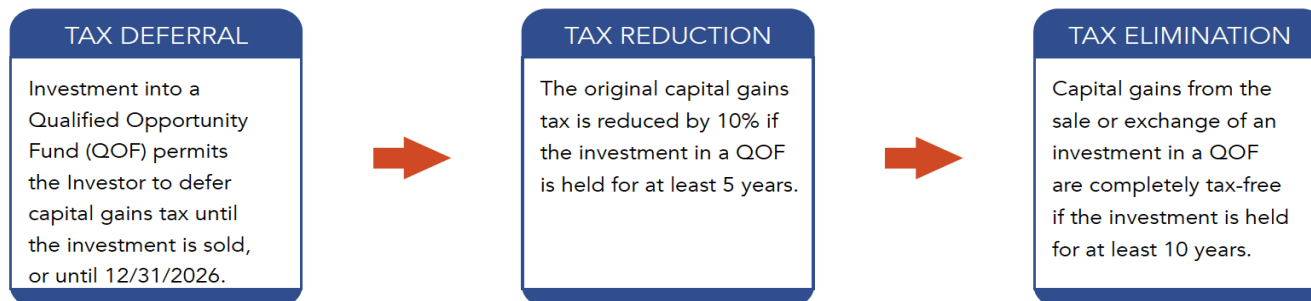
Midtown Existing Conditions: Opportunity Zones

HOW THE OPPORTUNITY ZONE PROGRAM WORKS

BASIC OPPORTUNITY ZONE BENEFITS EXAMPLE		HYPOTHETICAL NON-OZ INVESTMENT	HYPOTHETICAL OZ INVESTMENT	
	Capital Gain:	\$1,000,000	\$1,000,000	Increased effective ownership
	Tax Paid:	-\$238,000	\$0	
	Capital for Investment:	\$762,000	\$1,000,000	
	Year 10 Value (10% Return):	\$1,976,432	\$2,593,742	
	Tax Paid on 10 Year Return:	(\$289,035)	\$0	Elimination of capital gains
	Year 10 After Tax Value:	\$1,687,397	\$2,600,000	
	Less Capital Gains due in 2026:	\$0	(\$214,200)	10% reduction from original tax bill
	Total Year 10 After Tax Value:	\$1,691,030	\$2,379,542	



Tax Incentives:



4. Market Analysis

Market Analysis: Midtown Regulatory Review

The following are Heartland's observations from a review of the land use code that relates to the feasibility of multifamily development.

Stormwater Retention. The code requires onsite retention/treatment of all stormwater above existing runoff levels. On the surface, this requirement seems incompatible with the goal of promoting urban-density housing. However, given that most of the parcels within the Subarea are already built out with largely impervious surfaces, redevelopment may not trigger additional stormwater retention levels (existing runoff levels are handled by a treatment facility east of College St SE), in which case existing requirements will not be a barrier to development. Heartland recommends engaging a civil engineer to further clarify this issue.

Parking Ratios. The current minimum parking requirement of 1.5 stalls per unit is a high standard and pushes development toward larger unit sizes. The fact that these can be reduced through a parking demand study is helpful but doesn't allow for a readily underwritable standard. Developers look unfavorably on code requirements that exceed market demand. Heartland recommends lowering the ratio to 1.0 stall per unit or less, at least as a pioneer incentive for a limited number of catalyst projects. Current code provisions to supply parking with surface lots is helpful to keep costs down.

Ground Floor Requirements. The 18" to 3' street grade separation requirement is a good idea for residential uses (promotes separation between the public and private realm), but works against successful retail spaces. Retail uses need to draw people in, so should be as

visible as possible. At the same time, the 18' minimum ground level height requirement may be more than is necessary for successful retail; 15' is a more common requirement. Since podium-type construction has a natural height limit (usually about 65 feet depending on the local fire code), mandating a ground floor requirement greater than 15' will either effectively cut one level off the building or reduce the floor-to-floor heights of the residential levels below a market standard (which is about 10').

Overall, the City needs to be more intentional about which nodes of the Subarea it wants to see retail uses and make sure the code and Capital Improvement Plan incentivize and promote it. The reality is that space designed for residential use does not work well for retail use and vice versa. Consider mandating ground floor retail where it is important to have it, and for the rest of the subarea, be OK with residential ground floor uses and make sure the code reflects that.

Podium Heights. When minimum podium heights are 30', this requires two levels of concrete, which market economics may not yet support. Consider provisions that allow for a one-level podium to accelerate the alignment with market economics.

Building Heights. Practical limitations to height based on construction typology (wood frame above podium) would cap buildings at 5 – 7 stories. Allowed heights of 150 feet or more do not leave room for future bonus density carve-out. Given the densities achievable have not been priced into land value, there is an opportunity to make adjustments here.

Market Analysis: Midtown Regulatory Review

Townhomes. Per LMC 16.61.030, townhome development is not permitted in the District. Heartland suggests reconsidering, as this may be the only feasible redevelopment use for small parcels where apartment densities are not feasible. As well, townhomes can create an segue in density and transitional urban form between what exists and what is desired.

Readability of Code. Within the existing code, it is hard to readily discern allowable building volume in the District, which may challenge the patience of developers doing initial underwriting on an opportunity in the District. This can be addressed through adoption of a bulk and massing table that easily conveys allowed densities by zone using Floor Area Ratio (FAR) requirements (the relationship between the volume of building area in relation to the parcel on which it occupies). The FAR is then supplemented by additional proscriptions similar to those listed in the tables of LMC 16.24.070.

Multifamily Tax Exemption (MFTE). The City has an existing MFTE program for this Subarea only that permits an eight-year exemption outright for projects with at least 20 units, with the option to increase this to 12 years if 20% of the units are affordable at 80% of AMI. This is a good program that has a significant positive impact on redevelopment economics. The current program is set to sunset at the end of 2024. Given development timelines, there is a very limited window for projects to take advantage of this program. The City should consider extending this program while also improving visibility as to its existence.

Street Development Standards. The City's street standards plan for Subarea is thoughtful and could provide significant catalyst for development if the City were to take these street improvements on upfront. Doing them project by project is too incremental of an approach to be of effect. Private through block requirements could be a significant drain on redevelopment economics for large acreage properties.

Market Analysis: Multifamily Fundamentals

New Product Rents Average Below \$2.00 PSF. Table 4.3 summarizes rents, vacancies and unit characteristics of the existing multifamily housing stock in the MSA. Rents in these markets average \$1.45 per square foot (PSF) per month, with new product averaging just under \$2.00 PSF. All projects exceeding \$2.00 PSF are located in downtown Olympia, with the exception of the Martingale in Lacey (outside of the Subarea) which was developed by The Wolff Company and delivered in 2020.

Existing Product Stock Characterized by Family Style Units. The Lacey, Olympia, and Tumwater apartment market exhibits larger unit sizes and a higher proportion of one- and two-bedroom units than more urban markets.

Vacancy. Vacancies on average between the three cities remain competitive. Slightly higher vacancy of 5.4% in Lacey could be a result of an influx in supply in recent years.

Table 4.3 - Multifamily Market Metrics

	Lacey	Olympia	Tumwater
Rents & Vacancies			
Avg. Rent	\$1.38	\$1.48	\$1.50
Avg. Rent Built Since 2017	\$1.93	\$1.97	\$1.85
Avg. Stabilized Vacancy	5.4%	4.1%	2.5%
Unit Characteristics			
Avg. Unit Size SqFt	884	830	910
Avg. % Studio	11%	6%	2%
Avg. % 1 Bedroom	35%	37%	33%
Avg. % 2 Bedroom	46%	44%	47%
Avg. % 3 Bedroom	8%	9%	14%

(1) Data Source CoStar



Market Analysis: Urban Density Projects

All Recent Urban Product Located in Olympia. There are seven recent projects achieving densities of approximately 100 DU/Ac, all located in Downtown Olympia.

Small Unit Sizes. Unit mix is heavily weighted toward studios and 1 BR (appx. 85% of total) with balance comprised of 2 BR and no 3 BR. Average unit size is much lower than the City-wide average at 631 SF/DU.

Premium Rents. Rents average \$2.34 PSF, a 50% premium to the average. The Views on Fifth representing the top of the market at \$2.80 PSF.

Parking. Parking ratios generally are below 1.0 Stall/DU. The projects surveyed generally avoid the added cost of extensive ramping that comes with constructing garage parking, choosing instead to provide parking at-grade, either covered or surface.

Table 4.4 – Urban Density Project Metrics

	Unit Type	Stories	Yr Blt	Unit Mix	Unit Avg SF	Rent PSF	Rent Unit	DU/Ac	Vacancy	Parking Type
123-4th Apartments – 123 4th Ave W										
	S			32%	510	\$2.39	\$1,220			
	1 BR			54%	658	\$2.31	\$1,518			
	2 BR	7	'16	14%	1,003	\$2.10	\$2,107	212	5.8%	At Grade Garage
	3 BR			0%	0	\$0.00	\$0			
	Total			100%	658	\$2.28	\$1,504			
Annie's Flats – 322 5th Ave SE										
	S			69%	506	\$2.13	\$1,080			
	1 BR			31%	690	\$1.88	\$1,300			
	2 BR	4	'18	0%	0	\$0.00	\$0	145	2.1%	At Grade Garage
	3 BR			0%	0	\$0.00	\$0			
	Total			100%	564	\$2.04	\$1,149			
Views on 5th – 410 5th Ave										
	S			38%	412	\$3.03	\$1,250			
	1 BR			43%	651	\$2.88	\$1,877			
	2 BR	9	'20	19%	857	\$2.39	\$2,046	132	In lease up	Auto-mated Garage
	3 BR			0%	0	\$0.00	\$0			
	Total			100%	600	\$2.79	\$1,672			

Market Analysis: Multifamily Pipeline

Lacey Multifamily Growing as % of Total Deliveries. Lacey's stock of multifamily units has grown by 9% in the last three years, compared to the 2.7% growth in Olympia and the 2% growth in Tumwater. In absolute terms this equates to 2.6 times the number of units added to Lacey as were added to Olympia since the start of 2017.

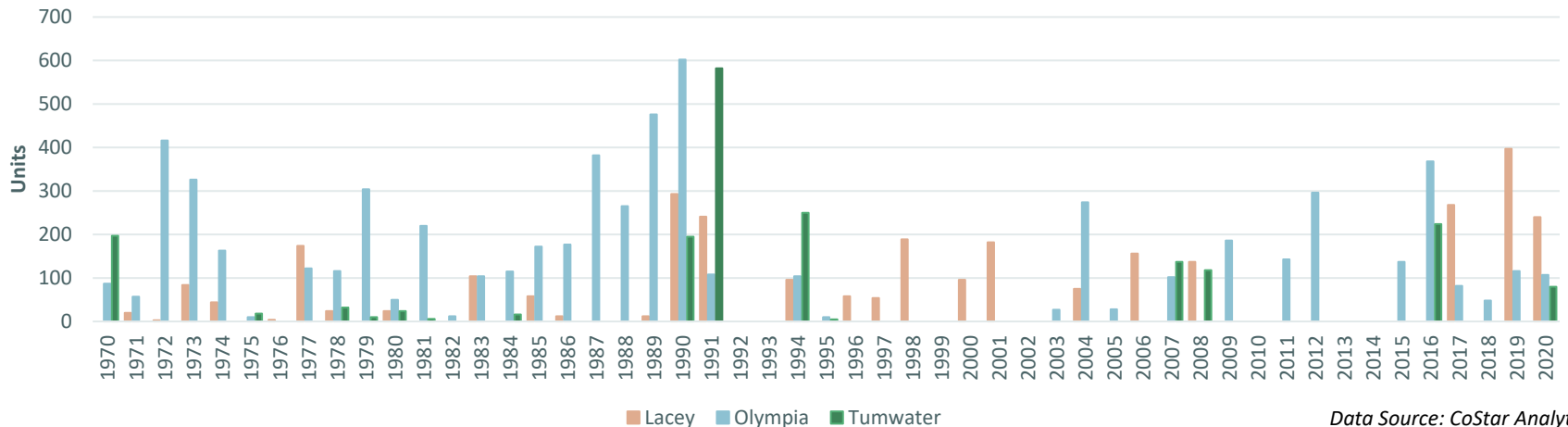
Lack of Midtown District Development. Despite a strong influx in unit production, Lacey has not seen any multifamily development in the Midtown District since 6 Wood Flats was constructed in 2008. Just outside the subarea, however, The Reserve at Lacey is under construction, a 241-unit senior housing project.

Table 4.5 – Multifamily Supply Metrics

	Lacey	Olympia	Tumwater
Supply			
Total Unit Count	10,140	13,130	3,910
Units Built Since 2017	905	353	80
Stock Increase Since 2017	9.0%	2.7%	2.0%
Units in Construction	241	95	220

(1) Data Source CoStar & Thurston Regional Planning Council

Figure 4.6 - Historical Multifamily Unit Deliveries (*Market Rate Units, Excludes Affordable and Senior*)



Data Source: CoStar Analytics

Market Analysis: Multifamily Pipeline

Lacey Increase in Senior Housing. Of the Lacey multifamily projects under construction, recently completed or proposed, 43% are senior housing units. Comparatively, the pipeline in Olympia consists of 19% senior housing.

Low-Rise Construction is the Norm. Most projects in the pipeline in the MSA are characterized by a low-rise construction type of four stories or less. Of the few projects that are mid-rise, two are in the Olympia urban core and exhibit the highest densities.

Table 4.7 – Multifamily Pipeline (Lacey, Olympia, Tumwater)

Property Name	City	Developer Name	Building Status	Year Built / Expected	Segment	Units	Stories	Acres
Gayteway at Hawks Prairie	Lacey	GS Venture Partners	Proposed	2021	Market	96	3	3.5
Martingale	Lacey	The Wolff Company	Existing	2020	Market	240	4	32
Tumwater Pointe Apartments	Tumwater	RJ Development, LLC	Under Construction	2020	Market	140	3	5.7
The Reserve at Lacey	Lacey	AVS Communities	Under Construction	2020	Senior, Affordable	241	5	5.2
Crossroads on Crosby	Tumwater	Commercial Property Services	Under Construction	2020	Market	80	4	3.2
The Easterly	Olympia	Aaron Angelo Development	Under Construction	2020	Market	21	3	0.7
Merritt Manor	Olympia	Grandview Inc	Existing	2020	Affordable	82	4	5.7
Views on Fifth	Olympia	Commercial Property Services	Existing	2020	Market	140	9	1.1
Copper Leaf Apartments	Olympia	Tumwater Development LLC	Under Construction	2020	Market	74	1	Unk
Harbor Heights	Olympia	Vine Street Associates	Existing	2020	Senior	116	7	1.4
Toscana Apartments	Lacey	Commercial Property Services	Existing	2019	Market	397	4	4.7
Affinity at Lacey	Lacey	Inland Group	Existing	2019	Senior	170	4	6.7
The Lurana	Olympia	Urban Olympia	Existing	2019	Market	44	3	0.6
Briggs Village	Olympia	Carino & Associates	Existing	2019	Market	72	3	3
Revel Lacey	Lacey	The Wolff Company	Existing	2018	Senior	135	3	6.7
Annie's Flats	Olympia	Urban Olympia	Existing	2018	Market	48	4	0.3

(1) Source CoStar

Market Analysis: Development Land Sales

Land Sale Methodology. In reviewing land sales, Heartland employed a development specific method that focuses on sales relating to pipeline projects. This excludes various land sales with unconfirmed uses and allows the sales to be reviewed with respect to the actual material realization of the land.

Lacey Land Basis Below \$20. A review of recent land sales for pipeline projects within Lacey reveals competitive land pricing at or below \$20 per land square foot. Comparatively, land transactions of pipeline projects within the Olympia core have exhibited higher land values sufficient for supporting urban infill development.

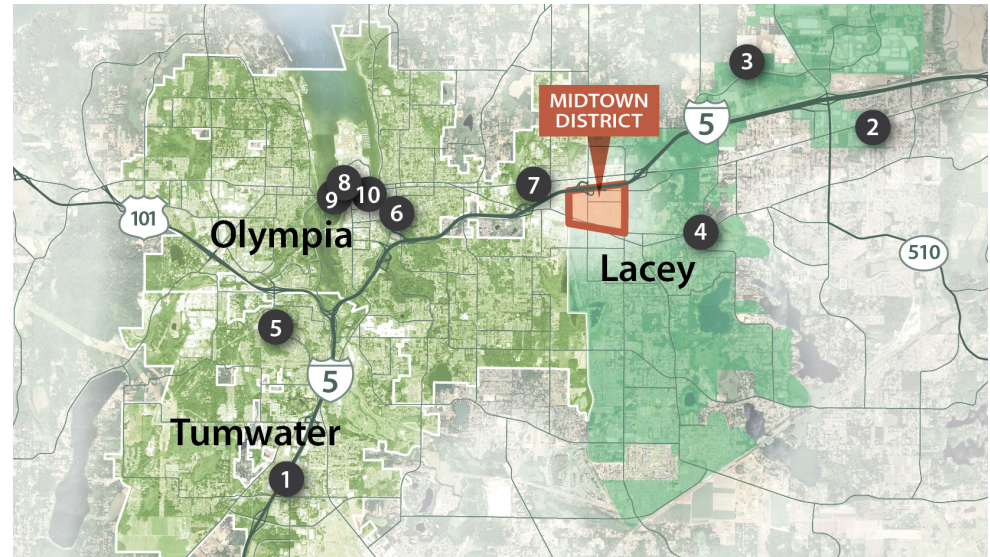


Table 4.8 – Development Land Sales

ID	PROPERTY NAME	SEGMENT	STATUS	UNITS	STORIES	OWNER/DEVELOPER	SALE PRICE	LOT ACRES	SALE DATE	ADJ. PRICE/ UNIT*	ADJ. PRICE/ SQFT BLDG*	ADJ. PRICE/ SQFT LOT*
1	Tumwater Pointe	Senior	Under Construction	140	3	Koelsch / RJ Development	\$2,700,000	5.7	Oct-18	\$21,571	\$22	\$12
2	GayteWay at Hawks Prairie	Market	Proposed	96	3	GS Venture Partners	\$1,497,600	3.5	Jun-18	\$17,736	\$23	\$11
3	Affinity at Lacey	Senior	Existing	170	4	Inland Group	\$2,607,000	6.7	Apr-18	\$17,597	\$9	\$10
4	The Reserve at Lacey	Senior, Affordable	Under Construction	241	5	AVS Communities	\$3,850,000	5.4	Jul-17	\$19,097	\$16	\$20
5	Crossroads on Crosby	Market	Under Construction	80	4	Commercial Property Services	\$1,700,000	7.1	Jul-17	\$25,337	\$25	\$7
6	The Easterly	Market	Under Construction	21	3	Aaron Angelo Development	\$880,000	0.7	Mar-17	\$50,832	\$53	\$36
7	Merritt Manor	Affordable	Existing	82	4	Grandview Inc	\$1,850,000	5.7	Jan-17	\$27,653	\$28	\$9
8	The Lurana	Market	Existing	44	3	Urban Olympia	\$1,900,000	0.6	Dec-16	\$53,063	\$31	\$89
9	Views on Fifth	Market	Lease Up	140	9	Commercial Property Services	\$5,167,728	1.1	Dec-16	\$45,438	\$42	\$138
10	Annie's Flats	Market	Existing	48	4	Urban Olympia	\$700,000	0.3	May-16	\$18,445	\$18	\$62

* Note: Adjustment Based on a 6% Land Appreciation per Year

Market Analysis: Industry Outreach

Who We Spoke With. Through the industry outreach a series of interviews were conducted with local and regional groups. Those groups included MJR Development, Prime Locations, The Wolff Company, Vicwood Development Corp, Urban Olympia, Thomas Architecture Studios, SCJ Alliance, and Tallen Capital Partners.

Outreach Goals. The goal of the outreach was to gather perspective from various industry groups to understand the industry's view of the Midtown District and to inform strategy recommendations on catalyzing urban infill development. The following are key points that emerged.

Business-Friendly Reputation. The City of Lacey is very well regarded as one of the best Cities to work with in the Region. This was a strongly exhibited theme throughout conversations.

Midtown Outside of the Center of Gravity for New Development. Although some viewed the Midtown as an exciting place for multifamily development most saw other areas of the City more attractive, especially Hawks Prairie, which was associated with strong employment centers and more land opportunities.

Multifamily Tax Exemption (MFTE) Unanimous Plus. Across the groups interviewed all saw MFTE as a positive aspect of development in Midtown. However, it does not outweigh other challenges the District possesses.

Mixed Review of Opportunity Zones. Opportunity Zones were viewed as a benefit to the District for some, but others view the program as being risky amidst a changing political climate.

Challenging Economics. Generally, market rent levels were viewed as too low in relation to construction costs to justify urban style product in the form defined within the City's regulations. Moreover, the higher land costs associated with urban infill adds to the economic challenge.

Challenging Regulatory Environment. The biggest challenges with the current development regulations included the parking requirement and podium heights. Parking requirements were seen as unnecessarily high and some suggested a market-based approach by removing the parking requirement within strategic areas. Podium requirements were seen as the most prohibitive factor to development in the District.

Pioneer Project Needed for the District. General view on the District was that it was untested. A positive case study proving the market there would go be important to build momentum.

Incomplete Public Amenities. Although transportation and trail networks within the District were seen as positive amenities, there was an expressed lack of recreational amenities such as sports fields, dog parks, and entertainment.

5. SWOT Analysis

SWOT: Strength, Weaknesses, Opportunities & Threats

Heartland leveraged the analysis of the Midtown District to inform development of a Strengths, Weaknesses, Opportunities and Threats (SWOT) assessment. Below is a summary of the SWOT with additional detail on the following pages. The SWOT was then leveraged to inform development of strategies and actions steps for the City to consider.

HELPFUL		HARMFUL	
Strengths		Weaknesses	
INTERNAL (Controllable)	• Parks and Trails • Freeway Proximity • Centrally Located Transit Center • Mature Trees • Clear Vision • Business-Friendly Reputation	• High Land Basis • Undefined Market • Inhospitable Pedestrian Environment West of Golf Club Road SE • Limited Amenities to Support Housing • Regulatory Barriers	
	Opportunities	Threats	
EXTERNAL (Uncontrollable)	• Positive Demographic Trends • Existing Institutional Presence • Opportunity Zone • Softening Retail • Interested Property Owners • Adequate Parcel Sizes	• Lack of Example Development • Competition from Other Localities • Financial Feasibility of Urban Density Projects is Challenging • Limited Vacant Land • Covid-19	

SWOT: Strengths

Parks and Trails

The District is surrounded on three sides by pedestrian trails interconnecting surrounding neighborhoods. The District also has four parks which offer outdoor gathering space, with Huntamer Park being the signature open space.

Freeway Proximity

Located along I-5, the District is highly accessible to job centers in the metropolitan area, including the state capital and the JBLM military base.

Centrally Located Transit Center

Within the District, the Lacey Transit Center is located at the heart, providing accessible transit access for the District.

Mature Trees

The Midtown District is characterized by mature trees within the sector east of Golf Club Road, providing a bucolic setting.

Clear Vision

The City has developed and refined a vision for the Midtown District over years of planning. A clear vision has been provided for the District which lends to clarity and transparency on the intent of planning efforts around the District.

Business-Friendly Reputation

The City of Lacey has maintained a positive reputation within the development community for their ability to work with builders to facilitate new development.

SWOT: Weaknesses

High Land Basis

The Midtown District has largely been built out, leaving multifamily development opportunities primarily on improved land. This creates a competitive disadvantage relative to surrounding areas that can offer a lower land basis and achieve a similar rent.

Undefined Market

The low amount of existing multifamily product stock within the Midtown District complicates underwriting for development for potential developers.

Inhospitable Pedestrian Environment

The area west of Golf Club Road features large blocks, high traffic counts, limited open space and trees, and incomplete sidewalk infrastructure. The City's planned infrastructure investment for the District does not match its vision for the District. Public infrastructure investment to create sidewalks, break up large blocks, create more open space, and reduce the abundance of asphalt will catalyze redevelopment by creating a more pleasant walking and living environment. We recommend focusing on a couple key nodes where investments can be coupled with willing developers interested in creating pioneer projects.

Limited Amenities to Support Housing

Commodity retail and fast food are abundant, however recreational and entertainment amenities are lacking. There is a need for more open space and sports facilities, potentially connected by trails dedicated for pedestrian and cyclists.

Regulatory Barriers

High parking requirements, ground level requirements, and building height requirements should all be revisited. A shorthand table to convey allowed bulk and massing, communicated through FAR limits, should be enacted.

Public/Civic Space

Although there are four established parks, only Huntamer Park serves as a usable open space for local residents and employees, and it is located in the eastern third of the Subarea.

SWOT: Opportunities

Positive Demographic Trends. Steady population and employment growth are forecast for the metropolitan area, which will drive demand for housing.

Existing Institutional Presence. South Puget Sound Community College has a campus within the Subarea, and St. Martin's University is adjacent. These institutions may be demand drivers for student-oriented housing within the District.

Opportunity Zone. The Subarea is within an Opportunity Zone, which provide favorable tax treatment on capital gains for investments made within the Zone.

Softening Retail. COVID is accelerating the drive of shopping for commodities online, which will increasingly threaten the health of non-experiential / non-lifestyle retail brands. Given the significant retail footprint in the Subarea, this should open up additional parcels for redevelopment consideration.

Interested Property Owners. Within the District there exist property owners that are interested to make housing development work. This opportunity provides a ready-made lab for the City and developer to work together to figure out how to make such projects pencil.

Parcel Sizes Adequate. With some exceptions (especially along Pacific Ave), typical parcel sizes in the Subarea are of sufficient scale to enable redevelopment of urban density housing.

SWOT: Threats

Lack of Example Development. There are no existing templates to draw from within the Subarea, complicating underwriting for developers.

Competition from other Localities. Developers looking to build housing in the metropolitan area will compare opportunities and supporting economics within Midtown to those of other neighborhoods within Lacey and other cities. Within the City of Lacey, there are numerous development sites that are not clouded by the existing conditions of the Midtown District.

Financial Feasibility of Urban Density Projects is Challenging. The high end of multifamily rents in Lacey are around \$2.10 per square foot per month. Rents at these levels support the type of multifamily development common in Lacey which is generally less than four

stories with no elevator and an all wood frame construction. The Midtown District zoning envisions concrete podium construction, which is more expensive than what is otherwise being built. In order to make this type of development feasible, market rents need to be in the range of \$2.50 and \$3.00 per square foot per month.

Limited Vacant Land. Majority of the District is already built out with existing improvements. Relatively strong retail rents set a threshold land value that is higher than what development can support.

Covid-19. The lasting impacts of Covid-19 are yet to be seen and will likely be highly variable between markets and geographies. These impacts have the potential to influence the nature of retail and office uses specifically. This has potential to further deactivate the District and elongate the period in which demand for urban infill is realized within the District.

6. Strategy

Strategy Overview

The following is a brief introduction to each of the four strategies suggested for catalyzing urban infill multifamily development within the Midtown District. These strategies are based on Heartland's observations, research, and conversations with local stakeholders and development community and are organized under the following framework:

- I. Regulatory Audit
- II. Public Investment
- III. Stakeholder Engagement
- IV. Communication

The strategies are influenced by the market analysis performed which provides an overview of local economics that are influencing the feasibility of development within the District. These factors are fundamental drivers of development that are largely outside of the City's control. However, the City can have meaningful impact through its regulator environment, policy, and capital investment that promote the viability of new multifamily development within the District.

I. Regulatory Audit

Evaluate adjustments to current land use code to align with market conditions and market supported building typologies

Currently, the high end of rents within Lacey are just above two dollars per square foot. This is generally not high enough to support the cost of construction of midrise multifamily product typologies and overall densities envisioned for the District. An analysis of applicable zoning regulations revealed several modifications that could aid in reducing construction costs without sacrificing the overall vision for the District.

Regulatory Audit – Topics to Consider

- | | |
|----------------------------|-----------------------------------|
| •Podium Heights | •Townhouse products |
| •Parking Ratios | •Readability of Code |
| •Stormwater Retention | •Multifamily Tax Exemption (MFTE) |
| •Ground Floor Requirements | •Street Development Standards |
| •Building Heights | |

II. Public Investment

Invest capital to support the City of Lacey's vision

The current condition of the Midtown District does not support a rent premium over current market rents, which currently do not support the desired housing product typology. Selective public investment can lend to a more attractive environment for housing which will aid in rent appreciation within the District. Additionally, the implementation of the current vision relies heavily on private development to implement public infrastructure improvements. The City should proactively address these cost burdens through public investment to catalyze the vision.

Strategy

III. Stakeholder Engagement

Pursue Strategic Partnerships with key stakeholders and landowners

Engaging local stakeholders is one way to help unlock opportunities for development. The City is already proving this concept through working relationships with local institutions such as St. Martins University. Property within the district is largely in use by various owners with differing interests. This strategy is focused on aligning interest with these stakeholders to create opportunities for mixed use urban multifamily development.

IV. Communication

Clearly define the message and communicate the vision for the Midtown District

This strategy is focused on ensuring investors and developers understand the vision for the Midtown district. This should be done concisely in a way that is readily digestible by the development community. It is important context for this strategy to note that multifamily development within the District is inherently challenged by local market rents, values of existing real estate improvements, cost of construction, land use code, and scarcity of developable land. Because of this, the communication strategy will be most effective in the context of publicizing the City's efforts to improve these challenging conditions. It would be premature to formally market the district as an opportunity before action is taken by the City to improve the district or until existing economics change.

Strategies and Actions

The following pages outline specific tangible actions within each strategy and reiterate supporting observations from the market analysis. Each action is categorized as a short- or long-term action. Short-term actions are those that can be addressed within one or two years. Long-term actions are those that would be addressed over a period longer than two years.

I. Strategy_Regulatory Audit - Evaluate adjustments to current land use code to align with market conditions and market supported building typologies

1. Zoning Lookback

Short-Term Action: Conduct a Woodland District Zoning Lookback and consider revisions outlined in the Regulatory Review of this report.

Supporting Observations: Review of the existing Woodland District land use code and conversations with local stakeholders illuminated many code revisions that could increase the feasibility of development.

2. Pilot Project Incentive

Short-Term Action: To catalyze a pioneer project, develop a pilot project program with incentives to encourage development in the District (Example: reduced fees for new development in the next two years).

Supporting Observations: No new multifamily has been built in the district since 2008. Per conversations with local stakeholders a pioneering project would confirm demand and provide a case study to support underwriting.

3. Extend MFTE Program

Short-Term Action: Extend the current MFTE program beyond 2024 so new opportunities can account for this benefit.

Supporting Observations: MFTE had unanimous support from local stakeholders. It is a program frequently used with success by other jurisdictions. Existing MFTE program ends in 2024 which means current development studies would not be able to account for this in business cases for new developments.

4. Conduct Parking Study

Short-Term Action: Conduct a parking study to evaluate the potential for shared parking policies and the potential for parking requirement reductions.

Supporting Observations: The current parking requirement is high for infill multifamily development relative to competing markets. Parking creates an additional cost to future developments, making them less feasible. There is an observable quantity of parking within the district that is underutilized.

5. Evaluation of Changing Product Formats

Long-Term Action: Conduct study of the evolution of changing product formats accelerated by the COVID-19 pandemic and relative effects on land use to inform regulatory audit.

Supporting Observations: The Covid-19 pandemic has influenced the way retail, office, and many other real estate assets are developed and used. Existing code may not support the implementation of innovative uses that could drive housing demand in the District.

6. Focus Housing Density in Midtown

Long-Term Action: Ensure that policy and capital investments in the City support the Midtown District as the City's focus area for housing growth in the future.

Supporting Observations: Lacey's stock of multifamily units has grown by 9% in the last three years. However, none was built in the Midtown District. Other areas of Lacey out compete Midtown because of lower land costs.

II. Strategy_Public Investment – *Invest capital to support the city of Lacey’s vision*

1. Expand/Improve Parks and Trails

Long-Term Action: Expand and/or improve the existing parks and trails infrastructure, including implementation of improvements identified in the Midtown District Mid-Town Urban Design Brand Elements for Huntamer Park.

Supporting Observations: The Midtown district is observably lacking in park space. Huntamer Park currently acts as the center piece of the district and is utilized well with public programming. However, stakeholders generally viewed the district as lacking in public amenities.

2. Improve Sidewalks and Wayfinding

Long-Term Action: Improve/complete sidewalk, wayfinding, and connectivity to the existing trail network that runs through the Midtown District.

Supporting Observations: The District is primarily an auto oriented environment. Increasing walkability and street appeal will make residential living in the district more appealing.

3. Implement Streetscapes

Long-Term Action: Implement the streetscape standards/improvements you’ve already identified in the Mid-Town Urban Design Brand Elements and Woodland District Strategic Plan.

Supporting Observations: Streetscape requirements largely fall as the responsibility of developers. This is an added burden to multifamily development feasibility within the district.

4. Foster a Sense of Place

Short-Term Action: Identify potential locations for public art and other public realm beautification measures that will contribute to the District’s sense of place.

Supporting Observations: The Midtown District lacks a defined sense of place.

5. Assess Stormwater and Wastewater Capacity

Short-Term Action: Monitor stormwater and wastewater infrastructure capacity and impact on development feasibility. Invest in preemptive system capacity building to facilitate new development.

Supporting Observations: Existing code requires new developments to treat storm water on site. This can have a significant impact on feasibility of multifamily development. Additionally, sewer mains may not support higher capacities needed to support residential uses. This is beyond the scope of Heartland’s work and expertise but is important to understand.

6. Focus Public Investment

Long-Term Action: Focus investment on civic opportunities such as libraries, play fields, and event spaces. Plan for future strategy to attract civic and public facilities to district.

Supporting Observations: Stakeholder conversations and observations noted that the District is lacking spaces that can be activated and utilized by the public. Investments in civic facilities in Midtown can make the District more attractive for residential uses.

III. Strategy_Stakeholders – Pursue Strategic Partnerships with key stakeholders and landowners

1. Engage Local Universities

Long-Term Action: Support and facilitate partnerships for student housing that would support Saint Martin's University and South Puget Sound Community College and their plans for growth in the area.

Supporting Observations: The district benefits from the diversity of institutions located within it. The City is proactively engaging local institutions to catalyze and support multifamily development. This has shown preliminary success and should be continued.

2. Develop Acquisition Plan

Long-Term Action: As an overall implementation approach, identify underutilized properties for acquisition by the City that could support housing development. This will allow the City to ensure housing is being built where possible.

Supporting Observations: Only 3% of the land area in the district is vacant land and only 12% has improvement values less than a quarter the value of the land. This shows the scarcity of developable land opportunities for housing and therefore underlies the need for property ownership to ensure the few opportunities are developed in a way to catalyze the City's vision.

3. Engage in Public Private Partnerships

Long-Term Action: Engage major land-owners of underutilized sites and considering partnership to encourage redevelopment.

- Funding and implementation of major street and connectivity

improvements

- Partnering to help fund and/or implement new parks/open space

Supporting Observations: As previously stated, land opportunities are scarce. Building a rapport with existing landowners is needed to create and influence opportunity for redevelopment.

4. Curate and Grow Partnerships

Long-Term Action: Develop and maintain a list of potential strategic partners, both public and private, that may be interested in investing in the Midtown District now or in the future.

Supporting Observations: Through interviews with stakeholders and local developers it was found that some knew of the area but had not focused on opportunities within it. Tracking and maintaining relationships with these groups and others will provide insight and enable the City to communicate opportunity and vision.

IV. Strategy_Communication – Clearly define the message and communicate the vision for the Midtown District

1. Create Marketing Package

Short-Term Action: Create a marketing package the City can use and share with interested landowners and developers. It is important the City first implements actions outlined in strategies I, II, and III to strengthen the communicable opportunity.

Supporting Observations: From interviews with local developers, it was apparent some were not aware of the Midtown district or the City's vision. Communication of that is important to keep these groups informed.

2. Develop Cohesive Messaging

Short-Term Action: Develop a cohesive message that you want to communicate about the opportunity and clearly define what the Midtown District is (boundaries, etc)

Supporting Observations: From on site observation and interviews with local stakeholders, it was found that there was little physical indication of the District and mixed understanding of the City's vision.

3. Highlight City Investment

Long-Term Action: Highlight investment in the area by the City (see Strategy III), developers, and landowners.

Supporting Observations: Interviews with local developers suggested the need for pioneering projects and public investment. Publicizing these investments will bring attention to the District.

4. Position District as Downtown

Long-Term Action: Continue to position the District as your downtown and center of activity/programming (events, etc.).

Supporting Observations: The primary land uses within the District are overwhelmingly office and retail. Activation of the District for additional uses is needed to create sense of place and bring attention to the District.

5. Continue Building Positive Relationships

Long-Term Action: Maintain and continue to leverage the City's business friendly reputation to attract local and regional developers

Supporting Observations: Interviews with local stakeholders indicated strong appreciation for the City of Lacey's efforts to support business. The success of this should be recognized and continued.



Midtown District Housing Strategy

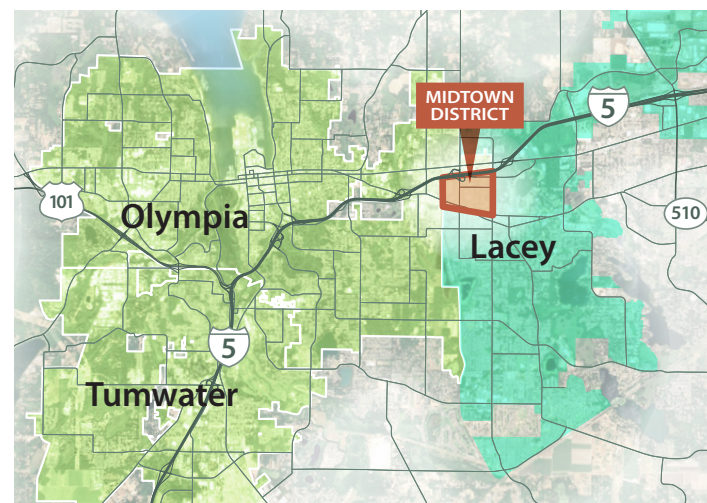
INTRO & APPROACH

The City of Lacey prepared an assessment and market analysis of the Midtown District in order to inform a district level strategy to **attract urban infill multifamily development**. The study includes an initial assessment and evaluation of the Midtown District and submarket, focusing on real estate, demographic and economic trends affecting multifamily development in the area. The assessment includes an evaluation of existing land use patterns, infrastructure and identification of opportunity sites for housing. The findings from the analysis informed development of a series of strategies and action steps for the City to leverage to support the growth and development of the Midtown District (see opposite page).

SUMMARY OF SWOT ANALYSIS

(Strengths, Weaknesses, Opportunities, and Threats)

	HELPFUL	HARMFUL
	STRENGTHS	WEAKNESSES
INTERNAL (CONTROLLABLE)	- Parks and Trails - Freeway Proximity - Centrally Located Transit Center - Mature Trees - Clear Vision - Business-Friendly Reputation	- High Land Basis - Undefined Market - Inhospitable Pedestrian Environment west of Golf Club Road SE - Limited Amenities to Support Housing - Regulatory Barriers
	OPPORTUNITIES	THREATS
	- Positive Demographic Trends - Existing Institutional Presence - Opportunity Zone - Softening Retail - Interested Property Owners - Parcel Sizes Adequate	- Lack of Example Development - Competition from other Localities - Financial Feasibility of Urban Density Projects is Challenging - Limited Vacant Land - Covid-19



AMENITIES

- Parks & Trails
- Sidewalks
- Bike Route
- Transit Center
- School
- Retail
- Restaurants



Midtown District Strategies

I

STRATEGY REGULATORY AUDIT

Evaluate adjustments to current land use code to align with market conditions and market supported building typologies

- **ZONING LOOKBACK**
Conduct a Woodland District Zoning Lookback and consider revisions outlined in the Regulatory Review of this report.
- **PILOT PROJECT INCENTIVE**
To catalyze a pioneer project, develop a pilot project program with incentives to encourage development in the District (Example: reduced fees for new development in the next two years).
- **EXTEND MFTE PROGRAM**
Extend the current MFTE program beyond 2024 so new opportunities can account for this benefit.
- **CONDUCT PARKING STUDY**
Conduct a parking study to evaluate the potential for shared parking policies and the potential for parking requirement reductions.
- **EVALUATION OF CHANGING PRODUCT FORMATS**
Conduct study of the evolution of changing product formats accelerated by the COVID-19 pandemic and relative effects on land use to inform regulatory audit.
- **FOCUS HOUSING DENSITY IN MIDTOWN**
Ensure that policy and capital investments in the City support the Midtown District as the City's focus area for housing growth in the future.

II

STRATEGY PUBLIC INVESTMENT

Invest capital to support your vision

- **EXPAND/IMPROVE PARKS & TRAILS**
Expand and/or improve the existing parks and trails infrastructure including implementation of improvements identified in the Midtown District Mid-Town Urban Design Brand Elements for Huntamer Park.
- **IMPROVE SIDEWALKS & WAYFINDING**
Improve/complete sidewalk, wayfinding, and connectivity to the existing trail network that runs through the Midtown District.
- **IMPLEMENT STREETSCAPES**
Implement the streetscape standards/improvements you've already identified in the Mid-Town Urban Design Brand Elements and Woodland District Strategic Plan.
- **FOSTER A SENSE OF PLACE**
Identify potential locations for public art and other public realm beautification measures that will contribute to the District's sense of place.
- **ASSESS STORMWATER & WASTEWATER CAPACITY**
Monitor stormwater and wastewater infrastructure capacity and impact on development feasibility. Invest in preemptive system capacity building to facilitate new development.
- **FOCUS PUBLIC INVESTMENT**
Focus investment on civic opportunities such as libraries, play fields, and event spaces. Plan for future strategy to attract civic and public facilities to the district.

III

STRATEGY STAKEHOLDERS

Pursue Strategic Partnerships with key stakeholders and landowners

- **ENGAGE LOCAL UNIVERSITIES**
Support and facilitate partnerships for student housing that would support Saint Martin's University and South Puget Sound Community College and their plans for growth in the area.
- **DEVELOP ACQUISITION PLAN**
As an overall implementation approach, identify underutilized properties for acquisition by the City that could support housing development. This will allow the City to ensure housing is being built where possible.
- **ENGAGE IN PUBLIC PRIVATE PARTNERSHIPS**
Engage major land-owners of underutilized sites and consider partnerships to encourage redevelopment.
 - *Funding and implementation of major street and connectivity improvements*
 - *Partnering to help fund and/or implement new parks/open space*
- **CURATE & GROW PARTNERSHIPS**
Develop and maintain a list of potential strategic partners, both public and private, that may be interested in investing in the Midtown District now or in the future.

IV

STRATEGY COMMUNICATION

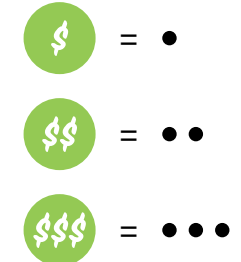
Clearly define the message and communicate the vision for the Midtown District

- **CREATE MARKETING PACKAGE**
Create a marketing package the City can use and share with interested landowners and developers. It is important the City first implements actions outlined in strategies I, II, and III to strengthen the communicable opportunity.
- **DEVELOP COHESIVE MESSAGING**
Develop a cohesive message that you want to communicate about the opportunity and clearly define what the Midtown District is (boundaries, etc).
- **HIGHLIGHT CITY INVESTMENT**
Highlight investment in the area by the City (see Strategy II) as well as private developers/landowners.
- **POSITION DISTRICT AS DOWNTOWN**
Continue to position the District as your downtown and center of activity/programming (events, etc).
- **CONTINUE BUILDING POSITIVE RELATIONSHIPS**
Maintain and continue to leverage the City's business friendly reputation to attract local and regional developers.

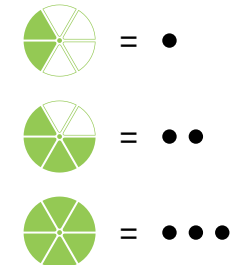
				
1	Set the Stage	Cost	Complexity	Time
1.1	Form-Based Code Complete	•	••	•
1.2	College Street SE Transportation Study	•	••	•
1.3	Identify and Leverage Financial Resources Complete	•	•••	••
1.4	District Brand Identity Program Complete	•	••	•
1.5	Planned Action EIS	••	••	••
1.6	District Stormwater & Green Infrastructure Plan	••	••	•
1.7	District Parking Plan	••	••	•
1.8	Forest Management Plan Update Complete	•	•	•
2	Improve Investment Climate			
2.1	Main Street/Golf Club Rd SE	•••	•••	••
2.2	Multifamily Tax Exemption Program Complete	•	•	•
2.3	Reduce Impact Fees	•	•	•
2.4	Bicycle & Pedestrian Improvements Complete	••	••	••
2.5	Streetscape Improvements Complete	••	••	••
3	Strategic Partnerships to Develop Key Nodes			
3.1	SPSCC Campus Complete	•	•	•
3.2	SPSCC/EDC Business & Entrepreneurial Center Complete	•	••	•
3.3	Cultural Center	•••	••	••
3.4	Market Square	•••	•••	•••
3.5	South Sound Center Entertainment Center	•••	•••	•••
3.6	Affordable Housing Strategy Complete	•	•	•
3.7	St. Martin's University Underway	•	•	•
3.8	Transit Center Redevelopment	•••	•••	•••
4	Recruitment, Advocacy & Coalition			
4.1	Recruit Office Tenants to Support Use Clusters	•	•••	••
4.2	Locally-owned Destination Businesses	•	••	••
4.3	Arts & Cultural Plan	••	••	••
4.4	Stakeholder Coalition	•	•	•

Rankings

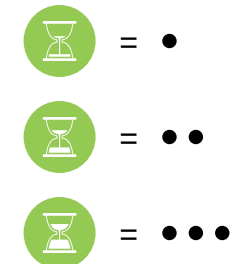
Cost



Complexity



Time



Strategy 1: Set the Stage

1.1



Form Based Code

Description: Development and adoption of a Form-based Code is recommended for the Woodland District's implementing regulations. Such a "place-based" regulatory system would clearly illustrate the District's desired form and character with both graphics and concise narrative. It would shape both the public realm (the streets and pedestrian network, public places and parking supply) and private realm (building forms, design and locations, private signage, on site parking, circulation and landscaping). The form-based approach provides clarity of content and the permitting process. The Code would serve as an incentive to attract new investments and produce a cohesive neighborhood characterized by great places.

Lead: City of Lacey

Partners: Strategic Plan Stakeholders

1.2



College Street SE Transportation Study

Description: Prepare a study for College Street SE between I-5 and Pacific Avenue SE to identify methods of improving multi-modal access and circulation to the district while maintaining the capacity for managing regional through traffic. Identify strategies and projects to enhance facilities for all modes, better relate the roadway design to existing and future land uses and ensure adequate access for all modes to and from the Woodland District, City facilities and St. Martin's University. The College Street SE Transportation Study could be folded into a more extensive transportation analysis in the Planned Action EIS if the EIS is conducted first.

Lead: City of Lacey

Partners: Woodland District Stakeholders, St. Martin's University, Intercity Transit

1.3



Identify and Leverage Financial Resources

Description: Identification of financial resources for Plan implementation would enable the City to define projects and develop a detailed, phased 10 year implementation strategy. Identification of financial resources would include capital funding, financing methods, key partnerships and technical assistance. Partnerships with JBLM, HUD, the Main Street Program, Woodland District financial institutions and others should be established and leveraged to recruit partners and financial participation.

Lead: City of Lacey

Partners: Thurston County EDC, Woodland District Financial Institutions

1.4



Brand Identity & Visibility: Name of District, Gateways, Wayfinding, Streetscape & Signage

Description: Development of an integrated branding program for the District – including renaming the District, a logo, entry gateways, wayfinding signage and revised sign standards – would increase visibility and provide a cohesive identity for the District. This program would also increase the Districts' competitiveness in the regional housing market, by improving the pedestrian realm, creating walkable streets and District legibility. The sign ordinance should be updated with signage specific to the Woodland District including wayfinding for vehicles, pedestrians and bicyclists, street signs and commercial signage. Public art planning should be coordinated with brand identity and visibility.

Lead: City of Lacey

Partners: Thurston County EDC, Chamber of Commerce, Woodland District Stakeholders

1.5



Planned Action Environmental Impact Statement (EIS)

Description: A Planned Action EIS will streamline and provide greater certainty in the development process. It entails review of potential impacts of development during the planning stage, rather than the development review stage, identifies mitigation measures upfront, such that future development proposals that are consistent with the EIS and ordinance do not require additional SEPA review. Following preparation of the EIS the local government may adopt a planned action ordinance that specifies the amount and type of development and required mitigation to qualify as a planned action project.

Lead: City of Lacey

Partners: Strategic Plan Stakeholders

1.6



District Stormwater & Green Infrastructure Plan

Description: A regional stormwater management plan would address stormwater-related water quality and water quantity impacts of new and existing land uses in a drainage area. It is developed on a drainage area basis and is not limited to on-site stormwater management measures. Facilities associated with the Plan can provide on-site and area-wide amenities and public spaces in urban environments, increase residential and commercial property values and neighborhood appeal. It would also facilitate maintenance and reduce maintenance costs. Provisions of District stormwater facilities would enable full TOD development and reconfiguration of the Transit Center.

Lead: City of Lacey

Partners: Strategic Plan Stakeholders & Agencies

1.7



District Parking Plan

Description: A district parking system provides parking for districts rather than individual sites by pooling parking supply in desired locations. This approach would support future development levels while reserving valuable street frontage for active pedestrian-oriented uses. District parking supply would be defined and managed based on demand for different uses and times of day. This program could be initiated in the near term to capture the value of existing parking and to reduce individual project costs by providing shares of district parking supply. It would be revised in phases as development intensifies in the area.

Lead: City of Lacey

Partners: Development Community, Local Lending Institutions, SPSCC, State Department of Enterprise Services

1.8



Urban Forest Management Plan Update

Description: The update would ensure that trees and the existing urban forest remain viable as an integral component of District identity and livability while managing trees for visibility to businesses and places by defining tree cover goals for the District, designing development to retain key trees, identifying annual tree replenishment goals and implementing an annual tree crowning-raising program to provide visibility to existing buildings and places. The update would also ensure preservation of large Sequoias in Plaza Park West when integrating new retail.

Lead: City of Lacey

Partners: ForTerra or similar entity who establish and maintain urban forests through their Green Partnership program.

Strategy 2: Improve the Investment Climate

2.1



Develop Main Street/Golf Club Rd SE Street Connection

Description: The connection/re-alignment of Golf Club Rd SE from Pacific Avenue SE to 3rd Avenue SE would catalyze the development of several projects including a pedestrian-oriented mixed use Main Street, provide direct access to the Transit Center, more efficient bus circulation, provide a continuous bicycle streets connecting the three major urban trails, increase access and visibility of the Woodland Square Loop area, the Huntamer Park Cultural Node and to Market Square. Renaming the street to a more local reference could become a key place identifier within the District as part of the District Identity and Renaming process.

Lead: City of Lacey

Partners: Intercity Transit, Property Owners, WSDOT

2.2



Multifamily Tax Exemption Program

Description: The City of Lacey should designate the Woodland District for the Multifamily Tax Exemption to improve development feasibility and to stimulate the construction of new market rate and affordable housing opportunities within urban centers. The City must designate areas within an urban center for use of the program. Eligible projects are exempt from property taxation for eight successive years; or for twelve years if the property commits to at least twenty percent of the multifamily housing units as affordable housing units.

Lead: City of Lacey

Partners: Woodland District Stakeholders, Thurston County EDC, Chamber of Commerce, Development Community

2.3



Reduce Impact Fees

Description: Impact fees may be waived on a discretionary basis by the City and may be specific to geographic areas to improve feasibility of development. An adjustment of fees sends a signal to the development community that the District is a priority for the City and that the City is willing to provide incentives for private development in the District.

Lead: City of Lacey

Partners: Woodland District Stakeholders, Thurston County EDC, Chamber of Commerce, Development Community

2.4



Bicycle & Pedestrian Improvements

Description: A comprehensive approach to the development of a District-wide network of walkable, bicycle-friendly streets would improve safety, comfort and interest to pedestrians and bicyclists and would improve livability and the investment climate. The program would guide the buildout of the future circulation network, redevelopment of sites and retrofit of existing streets and sites. City street and development standards should be updated to Reflect the pedestrian and bicycle improvements recommended in this Plan.

Lead: City of Lacey

Partners: Woodland District Stakeholders, Property and Business Owners, Pedestrian and Bicycle Advocates, Capital Bicycling Club, Woodland Trail Greenway Association

Strategy 3: Strategic Partnerships

2.5



Streetscape Improvements

Description: A comprehensive palette of streetscape improvements is a companion action to bicycle and pedestrian improvements designed to strengthen District identity, improve pedestrian comfort and interest, quality of life and the investment climate. Pedestrian lighting, street trees, landscaping, street signage, District-specific paving, crosswalks and street furniture should be included with a map identifying improvements at specific locations. City street and development standards should be updated to include a map with locations for streetscape improvements by type including street furniture, signage, trees and landscaping, paving, crosswalks, and intersections.

Lead: City of Lacey

Partners: Property Owners

3.1



South Puget Sound Community College

Description: The future SPSCC facility at Rowe Six provides a second higher education institution in the District, a new destination and a generator of local culture. The property is currently self-contained with low visibility from the street though well-placed across from the Transit Center and adjacent to 6th Avenue SE's mixed use area. Establishment of sidewalks, formal links to adjacent properties and the I-5 trail, directional and building signage, reconfigured parking, off-site programs and business incubators would fully leverage and integrate the institution's value and culture into surrounding District. A direct route between SPSCC and St. Martin's University would increase linkages, collaborations and access between the two institutions.

Lead: SPSCC

Partners: City of Lacey

3.2



South Puget Sound Community College/EDC Business & Entrepreneurial Center

Description: South Puget Sound Community College, in partnership with the Thurston EDC and the City, plan to develop a business and entrepreneurial center in the District. The goal of the Center will be to help entrepreneurs launch and build successful companies and turn innovation into commercialization by providing an array of business support resources and services. The Center will help early stage entrepreneurs grow through a variety of support services and facilities in a professional working environment, with a focus on creating new family-wage jobs to help spark the region's economic recovery and prepare students for careers. The Center will be designed to take advantage of available office space in the District.

Lead: SPSCC, Thurston County EDC

Partners: City of Lacey, Thurston Chamber of Commerce, St Martin's University

3.3

Cultural Center



Description: This project adds facilities and uses to the Huntamer Park area to develop the cultural center or “heart” of the Lacey community. Huntamer Park could be enlivened with a water feature, a multipurpose year-round pavilion for events, fairs and festivals and a YMCA on an adjacent site. Increased building development around Huntamer Park would provide a sense of enclosure and further build the identity of a Civic Green.

Lead: City of Lacey

Partners: Woodland District Stakeholders

3.4

Market Square



Description: Market Square (Fred Meyer site) would be reconfigured to improve visibility, circulation and access and deliveries. The two small City parks adjacent to the property could be consolidated and relocated into a usable public space integrated into the reconfiguration and small retail added on Main Street. Market Square could be a participant in Shared Parking District in the Woodland Square Loop area.

Lead: Market Square Property Owner

Partners: City of Lacey

3.5

South Sound Center Entertainment Center



Description: South Sound Center has successfully transitioned to a retail power center. As the largest property in the District, the Center's economic, cultural and community value as a destination visible from I-5 can be increased with intensified development, more efficient use of land, increased mix of uses, addition of a cluster of multi-venue entertainment uses (skating rink, food court and additional retail), a public gathering place, internal street system, shared parking, improved signage and freeway visibility and connections to City of Olympia streets. The site would be reintegrated with the street grids, provide access to the Chehalis Western Trail and could host community events.

Lead: South Sound Center

Partners: City of Lacey

3.6



Affordable Housing Strategy

Description: Develop a strategy to provide a variety of housing in the District for a range of household types and income levels such as seniors, students, local employees and low- and moderate-wage workers. Programs could include rental production and preservation, operating & maintenance fund, rental assistance, homebuyer assistance, acquisition and opportunity loan funds and others. The strategy should support the multi-family tax exemption program and oversee compliance with the affordability requirements of the program.

Lead: City of Lacey

Partners: Local Banks and Financial Institutions, Thurston County Housing Authority, Other Agencies

3.7



Partnership with St. Martin's University

Description: Strengthen the City of Lacey's ongoing partnership with St. Martin's University to integrate programs, housing, cultural activities and facilities into the Woodland District. Integration of the university faculty, staff, and students will enrich the District and its offerings, while the District can offer increased retail and services, transit and housing to the university community. Connect St. Martin's University to the trail system and improve pedestrian and bicycle access and connections between the campus and the District.

Lead: City of Lacey.

Partners: St Martin's University

3.8



Transit Center Redevelopment

Description: The Transit Center provides a vital service in a central location but is underused in its current configuration. Reconfiguration to an east/west orientation between Golf Club would increase its prominence, provide more direct bus access and take advantage of the development of Main Street and the future Huntamer Park Cultural Center. Mixed use development on the site would intensify use, maximize the value of the Transit Center and provided significant opportunities for placemaking and transit-oriented development (bus TOD).

Lead: Intercity Transit

Partners: City of Lacey, Woodland District Strategic Plan Stakeholders

Strategy 4: Recruitment, Advocacy & Coalition

4.1



Recruit Tenants to Support Clusters of Uses

Description: Active recruitment of unoccupied offices offer opportunities to develop clusters of uses which build on existing District uses such as medical facilities and higher education institutions, particularly in the 6th Avenue SE/ Main Street Transit Center area. Workforce training, business incubator programs and a service hub for JBLM health and human services are potential users. Student-oriented businesses and cultural programs could further support reuse of existing buildings. The existing fiber optics and potential future District-wide wi-fi could strengthen recruitment efforts.

Lead: Thurston EDC, Chamber of Commerce

Partners: City of Lacey

4.2



Locally-owned Destination Retail & Entertainment Venues

Description: Recruiting locally-owned destination retail and entertainment venues would bring new customers and visitors to the District from urbanized Thurston County. Examples include a music store and locally-owned restaurants and pubs and a food cart hub or pod would provide unique businesses and build local culture. Collocation of destination uses would build synergy with existing destinations such as South Sound Center, Market Square and 6th Avenue SE.

Lead: Thurston EDC, Chamber of Commerce

Partners: City of Lacey

4.3



Arts & Culture Plan

Description: Development of an Arts and Culture Plan would provide a strategic and coordinated approach to cultural development and identity of the Woodland District and the Lacey community. It could include a plan for the “Cultural Center” envisioned in the Huntamer Park/Main Street node in the Woodland Square Loop area and develop a broader plan and become known as a thriving local arts and culture community which celebrates its heritage, cultures and social diversity with vibrant street life, community events and organizations. Develop a public art strategy which is specific to Lacey culture which is coordinated with identity and wayfinding to be designed into public and private development.

Lead: Parks Board & Planning Commission

Partners: Woodland District Stakeholders, Schools and Colleges, Business, Public Agencies

4.4



Establish a Woodland District Stakeholder Coalition

Description: The establishment of an association for the District would develop a formal group to champion Strategic Plan implementation and provide an advocacy role for the neighborhood. This group, by its nature, would bring broad perspective to an implementation group and represent many community representatives and voices whose interests and participation are vital.

Lead: City of Lacey

Partners: District Businesses, Residents, Higher Education Institutions, Public Agencies, Intercity Transit, Thurston EDC and others.



LACEY CITY COUNCIL WORKSESSION

June 10, 2021

SUBJECT: Regional Athletic Complex (RAC) 20-Year Financial Plan Update

RECOMMENDATION: Acceptance of RAC 20-Year Financial Plan update

STAFF CONTACT: Scott Spence, City Manager *SS*
Troy Woo, Finance Director *TW*
Jen Burbidge, Parks, Culture & Recreation Director *JB*

ORIGINATED BY: Parks, Culture & Recreation Department
Finance Department

ATTACHMENTS:

1. [Draft RAC 20-Year Financial Plan](#)
2. [20-Year Financial Plan Spreadsheet](#)
3. [RAC 2020 Budget](#)
4. [RAC 2021 Budget](#)

FISCAL NOTE: As outlined in financial plan

PRIOR REVIEW: Board of Park Commissioners reviewed at their November 4 and December 2, 2020 meetings. The draft was approved at their December 2, 2020 meeting and recommended to City Council for final acceptance.

BACKGROUND:

The 68-acre site, which would become the RAC, was purchased in 1998. Thurston County and City of Lacey planned the athletic complex cooperatively and with considerable public input to provide for the athletic needs in the region as well as a community park with picnic shelters, play equipment and facilities needed to hold special events. On March 12, 2002, voters in the City of Lacey approved a bond issue for development of the RAC as well as several other parks. On June 26, 2002, an Inter-Local Agreement (ILA) was entered into by the Cities of Lacey, Olympia, Tumwater and Thurston County to form the Capital Area Regional Public Facilities District for the purpose of developing the RAC and the Hands on

Children's Museum (HOCM). Phase 1 of the RAC, four soccer fields, parking and concession/restroom, opened in 2004. In May 2009, Phase 2 - four softball fields, one baseball field, four picnic shelters, basketball courts, play equipment, trails, restrooms and parking - opened, completing the vision for the athletic fields. The maintenance compound was completed in 2010, and outfield fencing on fields 2 and 3 in 2013.

On March 19, 1998, Thurston County and the City of Lacey entered into a partnership via an MOU (Memorandum of Understanding) to jointly acquire, plan, fund, develop and maintain an athletic complex. This MOU provided joint ownership for a minimum of 15 years, at least through March 2014.

It would have been beyond the financial ability of either party at that time to complete a project of this size and scope alone. By working together, the community benefited from a state of the art athletic complex, a well-maintained community park and special events. Local businesses benefit from the visitors who come to play in tournaments and enjoy special events on weekends.

In June 2010, the Lacey City Council authorized an agreement for the transfer of Thurston County's share of the ownership of the RAC to the City. The transfer was allowed only if by mutual agreement and if the County had expended funds for the RAC in an amount equal to that expended by the City of Lacey. The settlement amount was \$1,825,000, which provided operation and maintenance funding for the years 2009 through 2014 and a capital replacement fund or future operation and maintenance funding of approximately \$715,000, as well as the balance of the 50% share of Phase 2 development costs. The previous financial plan recommended the full amount of the Thurston County settlement be deposited into the Park and Open Space fund and recommended funds will be transferred from the Park and Open Space Fund to fund maintenance and operations (M&O) and capital improvements on an annual basis. The modelling at the time projected the funds would be fully disbursed by mid-2021.

Although the success of the RAC cannot be questioned, it is not a self-supporting facility. The 2020 Budget included \$198,922 from the Thurston County settlement funds, which represented the remaining balance of the funds, and \$186,919 from the City's General Fund for operation and maintenance.

A five-year strategy has been developed, followed by a long-term plan to ensure the RAC can provide the same level of service in the near future. Staff has updated the long-term financial plan, which was reviewed by City administration and the Board of Park Commissioners. The Park Commissioners have recommended actions to be considered by the City Council. There are limited options to consider and implement: increase revenue, cut expenditures, attract more outside revenue sources, or a combination of those three.

There are a number of events that prompted the need for a five-year financial strategy. In 2020, the remaining Thurston County settlement funds were depleted. The 2020 Budget includes \$198,922 from the Thurston County settlement fund, first allocated in 2010 with an

anticipated drawdown in 10 years. Furthermore, at the end of 2027, the Public Facilities District (PFD) will sunset. These financial changes reached a level of significance to warrant an update to the RAC's existing 20-Year Financial Plan.

It is important to identify the recommendations from the previous 20-Year Plan that were implemented:

- The plan should be reviewed periodically or following significant financial environment changes to ensure the RAC remains financially secure.
- PFD revenues should be monitored annually.
- LTAC revenues should be monitored annually.

With the adoption of Ordinance No. 1575, the City Council committed \$800,000 (\$200,000 per year for four years) of General Fund reserves to help support RAC operations while a long-term funding strategy is developed.

It is also important to note that this plan was developed during the COVID-19 public health crisis. The assumption when it was developed is that a vaccine would be available in 2021 and services would start to return to normal; however, if progress isn't made as projected, the RAC financial plan will need to be readjusted accordingly.

ADVANTAGES:

1. The RAC can continue to provide the same level of service to the community has come to expect.
2. The long-term sustainability of the RAC is dependent on the financial stability identified in the financial plan.

DISADVANTAGES:

1. The Park and Recreation Comprehensive Plan priorities committed reserve was reduced to fund the four-year commitment to support RAC maintenance and operations.



LACEY PARKS

CULTURE & RECREATION



DRAFT 20-YEAR FINANCIAL PLAN 2020 - 2039





20-YEAR FINANCIAL PLAN

Prepared by **City of Lacey Staff**

Jen Burbidge – Parks, Culture & Recreation Director
Scott Devlin, Public Works Park Maintenance Supervisor
Sue Falash, Parks, Culture & Recreation Manager
Troy Woo, Finance Director

Reviewed on November 4, 2020 and December 2, 2020 by

Lacey Board of Park Commissioners

Chair Aram Wheeler
Vice Chair Sarah Daniels
Commissioner Ken Balsley
Commissioner Troy Kirby
Commissioner Erwin Vidallon

Approved on XX by

Lacey City Council

Mayor Andy Ryder
Deputy Mayor Cynthia Pratt
Councilmember Lenny Greenstein
Councilmember Michael Steadman
Councilmember Carolyn Cox
Councilmember Ed Kunkel
Councilmember Malcolm Miller



20-YEAR FINANCIAL PLAN

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Revenue and Expenditure Summary	9 - 12
Financial Plan Summary	13
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Financial Plan	

Attachment A – 2020 Maintenance and Operations Budget (detailed)

Attachment B – Proposed 2021 Maintenance and Operations Budget (detailed)

Attachment C – Full Financial Plan 2020-2039 (summarized)



20-YEAR FINANCIAL PLAN

EXECUTIVE SUMMARY

A five-year financial strategy is necessary, followed by a long term plan, to ensure the RAC can provide the same level of service now and into the near future. The Lacey Park Board will review sustaining strategies and recommend the preferred option to balance the Regional Athletic Complex (RAC) budget

There are a number of events that prompted the need for a five-year financial strategy. In 2020, the remaining Thurston County settlement funds were depleted. The 2020 Budget includes \$198,922 from the Thurston County settlement fund, first allocated in 2010 with an anticipated drawdown in 10 years. Furthermore, at the end of 2027, the Public Facilities District (PFD) will sunset. These financial changes reach a level of significance to warrant an update to the RAC's existing 20-Year Financial Plan.

It is important to identify the recommendations from the previous 20-Year Plan that were implemented:

- The plan should be reviewed periodically or following significant financial environment changes to ensure the RAC remains financially secure.
- PFD revenues should be monitored annually.
- LTAC revenues should be monitored annually.

This plan was developed during the COVID-19 public health crisis. The current assumption is that a vaccine will be available sometime in 2021; however, if progress isn't made as projected, the RAC financial plan will need to be readjusted accordingly.

INTRODUCTION

On March 19, 1998 Thurston County and the City of Lacey entered into a partnership via an MOU (Memorandum of Understanding) to jointly acquire, plan, fund, develop and maintain an athletic complex. This MOU provided joint ownership for a minimum of 15 years, at least through March 2014.

It would have been beyond the financial ability of either party at that time to complete a project of this size and scope alone. By working together, the community benefits from a state of the art athletic complex, a well maintained community park and special events. Local businesses benefit from the visitors who come to play in tournaments and enjoy special events on weekends.

In June 2010, the Lacey City Council authorized an agreement for the transfer of Thurston County's share of the ownership of the Regional Athletic Complex (RAC) to the City. The transfer was allowed only if by mutual agreement and if the County had expended funds for the RAC in an amount equal to that expended by the City of Lacey. The settlement amount was \$1,825,000, which provided operation and maintenance funding for the years 2009 through 2014 and a capital replacement fund or future operation and maintenance funding of approximately \$715,000, as well as the balance of the 50% share of Phase 2 development costs. The previous financial plan recommended the full amount of the Thurston County settlement be deposited into the Park and Open Space fund and recommended funds will be transferred from the Park and Open Space Fund to fund M & O and capital improvements on an annual basis. The modelling at the time projected the funds would be fully disbursed by mid-2021.

Although the success of the RAC cannot be questioned, it is not a self-supporting facility. The 2020 Budget includes \$198,922 from the Thurston County settlement funds, which represented the remaining balance of the funds, and \$186,919 from the City's General Fund for operation and maintenance. Staff has updated the long-term financial plan, which was reviewed by city administration and the Board of Park Commissioners. The Park Commissioners have recommend actions to be considered by the City Council. There are limited options to consider and implement: increase revenue, cut expenditures, attract more outside revenue sources, or a combination of those three.

Recommendation: The plan should be reviewed periodically or following significant financial environment changes to ensure the RAC remains financially secure. A five-year strategy should be developed, followed by a long term plan to ensure the RAC can provide the same level of service moving forward.

BACKGROUND

The 68 acre site was purchased in 1998. The County and City planned the athletic complex cooperatively and with considerable public input to provide for the athletic needs in the region as well as a community park with picnic shelters, play equipment and facilities needed to hold special events. On March 12, 2002, voters in the City of Lacey approved a bond issue for development of the RAC as well as several other parks. On June 26, 2002, an Inter-local Agreement (ILA) was entered into by the Cities of Lacey, Olympia, Tumwater and Thurston County to form the Capital Area Regional Public Facilities District for the purpose of developing the RAC and the Hands on Children's Museum (HOCM). Phase 1 of the RAC, four soccer fields, parking and concession/restroom, opened in 2004. In May 2009, Phase 2 - four softball fields, one baseball field, four picnic shelters, basketball courts, play equipment, trails, restrooms and parking - opened, completing the vision for the athletic fields. The maintenance compound was completed in 2010. Netting was installed on fields 2&3 outfield fence in 2013.

COMMUNITY NEED AND VISITOR USE

The need for athletic fields was identified in comprehensive plans, community meetings and conversations with user groups and elected officials. There were not enough fields for youth and adults to play and practice on, teams competed for the same open space, and several teams shared the space so that all could play. Many fields closed at the end of October, with many sports teams having to leave the county to practice and play their games. In 2002, there were 21,818 players registered on 1500 teams in the county - half played on fields located out of the area, or fields inadequate for league use. Thurston County and the City of Lacey gained public support for the project.

The RAC has been heavily used since opening. The grass soccer fields are open 244 days a year and are usually in play all but 10 - 15 days a year. The synthetic field is booked seven days a week in the winter months. Tournaments on the softball/baseball fields are booked 50 - 52 weekends per year. Annual special events are held throughout the year as well. The park is used by people who walk daily, families with young children who flock to the play equipment, teens who rush to the basketball courts after school, friends who hold picnics in the shelters and ball players who come from all over the county and the world to play in tournaments that won't rain out. The RAC is used by an estimated 200,000 athletic participants, and 1.2 million park and special event patrons per year. RAC users have come to expect an outstanding facility where ball games are played rain or shine, staff is responsive and competent, athletes of all ages and abilities are served, and a variety of community events are offered and open to the public.

Staff has implemented new ways to increase use such as attracting additional dog shows, larger tournaments, more fun runs and hosted additional summer sports camps. Staff continues to consider increased use options on the soccer fields including lacrosse, ultimate Frisbee, and flag football. There are not many options for increased use on the baseball/softball fields due to use currently being maxed out.

2020 has not been a typical year at the RAC due to COVID-19 changing the landscape. Staff have constantly adapted to the Governor's guidance to navigate the public health crisis safely but as a result, participation and visitation have been heavily impacted.

Recommendation: The goal is to increase use on the athletic fields by renting fields during typically slow times of the day and maximizing the number of teams in a tournament. Increased use should lead to increased revenue.

PUBLIC FACILITIES DISTRICT (PFD)

The Capital Area Regional Public Facilities District is a special taxing district created by a 2002 inter-local agreement between Thurston County and the cities of Olympia, Lacey and Tumwater for the purpose of financing two regional event centers, the RAC and the Olympia HOCM. District revenue is from a 0.033% sales and use tax authorized pursuant to RCW 82.14.390 imposed county-wide for 25 years, and ending on March 9, 2028 (25 years after the execution of the interlocal agreement) or upon the retirement of the debt used to construct the original facilities. Lacey's debt will be retired on December 1, 2027.

Distribution of sales tax revenues from Thurston County is distributed at 71.7742% to the City of Lacey for the RAC and 28.2258% to the City of Olympia for the HOCM. From July 2003 - July 2006, the distribution to Lacey was 38.8%. In July 2006, the contract was modified to reflect the current distribution. The terms of the PFD contract allow for the sales and use tax to be imposed up to March 9, 2028 and debt is outstanding on the projects (RCW 82.14.390). Lacey's bond debt will be retired at the end of 2027. The operations and maintenance of the RAC is currently supported with \$200,000 of PFD sales taxes per year.

During the initial years and years impacted by the "Great Recession", the PFD revenues did not meet expectations. Between 2007 and 2015, annual PFD revenues averaged \$941,960. The local economy began to recover and grow in 2016 with revenues of \$1,146,502. The annual growth continued to \$1,436,478 in 2019. Despite the COVID-19 public health emergency, the 2020 PFD revenues are on pace to exceed the 2019 levels. It appears the stable government and military employment, Federal and State stimulus and support, and an increase to local purchasing have helped the region's economy when all expectations were for a severe decline to revenues. It is not anticipated the region will be immune to the economic impacts of the public health emergency indefinitely. The longer the COVID-19 public health emergency continues the region will be exposed to more risk of downward economic impacts.

Recommendation: PFD revenues should be monitored annually. The sustainability of the RAC at its current level of tax supported subsidy is a concern. A five year strategy should be developed then a long term financial plan. Efforts to achieve the maximum amount of potential collections should be pursued to secure a sustainable revenue source to replace the PFD revenues.

REVENUE SUMMARY

The RAC operating budget consists of the following revenue sources: fees and operating revenue, PFD funds, interest income, Lodging Tax revenue, and the City's General Fund support.

Fees and Operating Revenue

2010 was the first complete year of operation for the RAC. Revenues generated in 2010 totaled \$327,568 and have climbed steadily since to \$505,638 in 2019. Revenue includes concession lease, shelter rentals, field rentals, league fees and field banner advertisement sales. Tournaments are booked on the baseball/softball fields for 50 of 52 weekends per year. City staff serves as tournament director for 3 tournaments per year. Staff is working to acquire bigger tournaments, bringing more teams and individuals into the Lacey community, resulting in more games played and increased field rental revenue. A limiting factor is the number of fields at the RAC, although staff has been able to partner with other agencies to co-host tournaments. Some tournaments overflow to Rainier Vista Community Park, but rental fees from games played there do not go into the RAC account.

Potential revenue opportunities:

- Sponsorship and Naming Rights: The Park Board updated and City Council approved the Sponsorship Policy in 2019 to clarify these types of business agreements and make it possible for naming rights to be sold. Staff had a strong potential for a naming rights agreement at the beginning of 2020 but then the COVID-19 public health crisis brought uncertainties. Staff continues to seek sponsorship opportunities such as naming rights and Park Partners. In addition, staff does sell advertising on the outfield banners.
- Special Events: Fun Run/Walks, Dog and other Easter Egg Hunts, National Dog Show, Polynesian Fest, AUSA, etc. Success of annual events attracts similar events. Potential to hold a "Junk in your Trunk" special event rummage sale, or other similar event on a smaller tournament weekend.
- Bid on and serve as tournament director for another tournament.
- Parking fee: Was not supported by the public in 2014, but could be revisited. Currently no other Lacey Parks have parking fees.

- Increase field rental fees – every two years staff and Park Board evaluates fees, and they are raised 2.5 - 5% depending on the market rate of comparable facilities. The RAC would become priced out of the competition and tournament directors would play at other athletic complexes if fees are raised above the market rate.
- Concession stands could potentially be operated by the City (currently contracted out through Dec. 2021). A concessionaire pays COL \$22,000/year for the concession contract. Staff are currently conducting a financial study to review the potential of operating concessions in house. If so, the City would have an initial outlay of equipment.
- Leagues: Leagues bring in more revenue than field rentals. We could run more City leagues, but that would push out many long term local league rentals who have used and supported the RAC since it opened.

In 2020, revenues have been impacted by COVID-19, and the current business model has suffered.

Recommendation: Seek new, innovative ways to increase revenues, not only due to COVID-19 impacts, but in general and into the future.

PFD Funds

PFD funds currently are used for M & O (\$200,000), debt service payment (\$567,050), PFD administrative services (\$8,000), and the balance deposited into the capital fund.

General Obligation Bond Monies

GO Bonds were used for development of the RAC. Principal on the GO Bonds is repaid with PFD funds and the interest paid with PFD funds. There are no bond proceeds remaining.

General Fund Support

Maintenance and operating dollars have been transferred for the RAC since phase 2 opened in 2009; in 2020 this amounted to \$186,919.

Recommendation: With the PFD sunset at the end of 2027, a five-year strategy should be developed, followed by a long term plan to ensure the RAC can provide the same level of service moving forward.

Lodging Tax (LT)

The RAC receives LT funds to cover M&O expenses associated with weekend tournaments and special events. In 2020, \$160,000 was budgeted but rescinded due to COVID-19. In 2021, \$160,000 is included in the proposed budget. The City appreciates strong support from the local hotel / motel business community and values the partnership.

Grants

Thurston County and the City applied for and received state grants to assist with development of the RAC. Staff shall pursue grant funds for capital and M&O purposes whenever possible.

EXPENDITURE SUMMARY

General Recreation Services

General Recreation Services staff schedule field and picnic shelter rentals, coordinate leagues and special events, direct and schedule tournaments, solicit sponsors, and manage the concession contract. The budget for 2020 was \$289,176 and was adjusted to \$183,137 due to COVID-19. The budget for 2021 is \$226,087.

Maintenance and Operations

The 2021 budget for Maintenance and Operations is \$883,167. 2021 estimated expenditures for the RAC are broken down into two areas; park open space, and rentable areas which include the baseball fields, soccer fields and shelters. Park open space, which is available for free drop in use utilizes approximately 45% of total expenditures. The rentable areas including the baseball fields, soccer fields, and shelters utilize approximately 55% of total maintenance expenditures.

Combined Budget

The combined general recreation services and maintenance and operations budget for the 2020 budget was \$1,202,001, but was adjusted to \$951,441 due to COVID-19. The 2021 budget is \$1,188,343.

Recommendation: Consider an allocation of general funds to cover expenditures associated with the community park amenities. This alternative competes with other priorities of the City.

Life Cycle and Capital Improvement Programs

In 2020, the final synthetic turf replacement was completed. This multi-year project began in 2018. The replacement took place earlier than expected, but advancements made in the synthetic turf technology are promising. The next replacement cycle could begin as early as 2029. The high level of maintenance of the complex is critical to maintain its position in the marketplace. The ability to attract tournaments is heavily dependent on the quality of the facilities, especially as other communities will develop new athletic complexes and compete with the RAC.

Other life cycle and capital improvements from 2021 - 2027 have been identified:

- Parking lot video cameras \$150k (2021)
- Parking lot design \$125k (2021)
- Parking lot construction (2022). Design work will provide cost estimate
- Baseball outfield fencing completion \$200k (2022)
- Sports fields netting \$139k (2024)
- Play equipment \$325k (2025)
- Concrete work in the baseball complex \$300k (2026)

Recommendation: Continue to commit PFD revenues to fund life cycle and capital improvements. Some flexibility will be needed as intended life cycle is not always accurate, and as RAC sponsorships are considered.

FINANCIAL PLAN

The Financial Plan assumptions are consistent with the City's overall conservative budget philosophy. The general inflation used for the 20-year financial model is two percent. Costs associated with labor to maintain the RAC assumes a higher percentage than general inflation.

The 20-year financial model assumes the City's General Fund will allocate an additional \$200,000 per year for the years 2021 through 2023. The Proposed 2021 RAC Budget is balanced with the additional General Fund allocation. It should be noted there is not a commitment for the additional General Fund support beyond 2021. The model shows an operating deficit beginning in 2022 despite the additional allocation assumption.

The model does show solvency through 2029 if the entire PFD revenues are made available for operations.

The 20-year financial model provides a basis for sound financial planning upon which the City needs to develop a strategy to ensure continued operations and capital improvements of the RAC. In 2019, the RAC's revenue resources consisted of user fees and interest (41.8%), city funds (27.5%), Thurston County settlement funds (14.1%), and PFD funds (16.6%). In the 2021 Proposed Budget, the projected revenue resources consists of user fees and interest (35.5%), city funds (47.5%), Thurston County settlement funds (0.0%), and PFD funds (17.0%). 2021 will be the first year, since 2010, without support from the now depleted Thurston County settlement funds. Without an amendment to the PFD interlocal agreement, the RAC will face another significant resource decline in 2028 when the current agreement expires.

Recommendation: Seek City General Fund additional reserve commitments for medium-term resources to support RAC operations and maintenance while a long-term funding plan can be developed. Preservation of PFD funds is recommended to maintain necessary capital improvements and capital replacements at the RAC.

FUTURE DEVELOPMENT OF PHASE 3 and the "CORNER"

A concept plan was started for Phase 3, a 26 acre site, located directly west of Marvin Road and across from the RAC. The site is constrained by access, pocket gopher management/mitigation issues, and a native oak tree savannah stand. Despite these site limitations, Phase 3 offers the potential for additional athletic fields and commercial partnership that would provide sports and wellness opportunities to the local community. If developed, Phase 3 would enable the RAC to attract and host larger tournaments.

The City purchased "the Corner", a 4.39 acre site in 2006. The site was originally purchased for future commercial partnership; however, it will need to be developed for expanded parking with the addition of a bus drop off area as there isn't adequate parking for the current facility and its use.

Recommendation: Finalize the master plan based on public feedback and guidance related to pocket gopher best management practices. Estimated development and M&O costs will need to be included as part of the long-term funding plan. Once this financial plan is complete, capital and M&O funding sources for Phase 3 would need to be identified in order for this project to move forward.

The 2017 Parks & Recreation Comprehensive Plan identifies the Lacey Park system as being only 35% developed and prioritizes the need for additional athletic fields. Development of Phase 3 would give community and sports user groups access to more of Lacey's Park system and help with identified athletic field shortages.

Important Note: This plan was developed during the COVID-19 public health crisis. The current assumption is that a vaccine will be available sometime in 2021; however, if progress isn't made as projected, the RAC financial plan will need to be readjusted accordingly.

H:\RAC\Budget\Financial Plan

City of Lacey
Regional Athletic Complex
Long-Term Financial Plan
2020 Budget

	Actual 2019	Budget 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029	Projected 2030	Projected 2031	Projected 2032	Projected 2033	Projected 2034	Projected 2035	Projected 2036	Projected 2037	Projected 2038	Projected 2039
Operating Revenues																					
Beginning Fund Balance / Estimated Beginning Cash		303,339																			
Intergovernmental Revenue / Capital Area - PFD	166,667	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000												
Culture & Recreation / Event Admissions Fee	6,745		5,000																		
Culture & Recreation / Physical Activities Program	7,242		4,000	4,080	4,162	4,245	4,330	4,416	4,505	4,595	4,687	4,780	4,876	4,973	5,073	5,174	5,278	5,383	5,491	5,601	5,713
Culture & Recreation / Special Events Program	14,720		10,000																		
Culture & Recreation / Shelter Fees	11,605		6,000	6,120	6,242	6,367	6,495	6,624	6,757	6,892	7,030	7,171	7,314	7,460	7,609	7,762	7,917	8,075	8,237	8,401	8,569
Culture & Recreation / Field Use Fees	270,681	55,371																			
Culture & Recreation / Field Use Fees	69,426		300,000	306,000	312,120	318,362	324,730	331,224	337,849	344,606	351,498	358,528	365,698	373,012	380,473	388,082	395,844	403,761	411,836	420,072	428,474
Culture & Recreation / Concession Commissions	1,507		1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219	1,243	1,268	1,294	1,319	1,346	1,373	1,400	1,428
League Fees	58,585	1,000	55,000	56,100	57,222	58,366	59,534	60,724	61,939	63,178	64,441	65,730	67,045	68,386	69,753	71,148	72,571	74,023	75,503	77,013	78,554
Interest Earnings / Investment Interest	10,713	1,456	5,194	5,194	5,194	5,194	5,194	5,194	5,194	5,194	5,194	5,194	5,194	5,194	5,194	5,194	5,194	5,194	5,194	5,194	5,194
Interest Earnings / LGIP Earnings	10,581	2,134	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880
Interest Earnings / Unrealized Gain (Loss)	246																				
Rents/Leases / RV Parking	4,273			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Concession Lease Long-Term	21,500	2,300	22,000	22,440	22,889	23,347	23,814	24,290	24,776	25,271	25,777	26,292	26,818	27,354	27,901	28,459	29,029	29,609	30,201	30,805	31,421
Contributions / Parks General	5,000																				
Contribution / Cont.-Parks Sponsor/Event	8,600		7,000	7,140	7,283	7,428	7,577	7,729	7,883	8,041	8,202	8,366	8,533	8,704	8,878	9,055	9,236	9,421	9,609	9,802	9,998
Other Fees/Judgments	265																				
Other Financing Sources / General Fund Transfers In (Utility Tax)		186,919	197,013	200,953	204,972	209,072	213,253	217,518	221,869	226,306	230,832	235,449	240,158	244,961	249,860	254,857	259,954	265,154	270,457	275,866	281,383
General Fund Reserve Transfers In			200,000	200,000	200,000																
Transfers In / Transfer in 303 Fund (Thurston County)	340,131	198,922																			
Transfers In / Transfer in (109) Fund	163,000		160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000
Total RAC Operating Revenues	1,171,486	951,441	1,173,087	1,169,927	1,182,004	994,323	1,006,888	1,019,704	1,032,777	846,111	859,712	873,584	887,735	902,168	916,890	931,906	947,223	962,846	978,781	995,035	1,011,614

Operating Expenditures																					
Salaries & Wages / Salaries-Regular	226,484	243,439	279,826	288,221	296,867	305,773	314,947	324,395	334,127	344,151	354,475	365,109	376,063	387,345	398,965	410,934	423,262	435,960	449,039	462,510	476,385
Salaries & Wages / Salaries-Overtime	10,968	9,000	12,563	12,940	13,328	13,728	14,140	14,564	15,001	15,451	15,914	16,392	16,884	17,390	17,912	18,449	19,003	19,573	20,160	20,765	21,388
Salaries & Wages / Salaries-Part-Time	109,321	70,000	90,000	101,735	104,787	107,931	111,169	114,504	117,939	121,477	125,121	128,875	132,741	136,723	140,825	145,050	149,401	153,883	158,500	163,255	168,152
Personnel Benefits / Employer Paid Benefits	144,183	125,254	149,042	157,985	167,464	177,511	188,162	199,452	211,419	224,104	237,550	251,803	266,912	282,926	299,902	317,896	336,970	357,188	378,619	401,336	425,416
Supplies / Office & Operating Supply	69,388	65,000	95,000	96,900	98,838	100,815	102,831	104,888	106,985	109,125	111,308	113,534	115,804	118,121	120,483	122,893	125,350	127,857	130,415	133,023	135,683
Supplies / Small Tools & Equipment	4,946	2,000	2,500	5,021	5,122	5,224	5,329	5,435	5,544	5,655	5,768	5,883	6,001	6,121	6,244	6,368	6,496	6,626	6,758	6,893	7,031
Supplies / Supplies-Uniform Purchase	1,485	1,200	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	2,438	2,487	2,536	2,587	2,639	2,692	2,746	2,800	2,856
Vehicle/Equip Supplies / Fuel	4,734	4,000	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951	12,190	12,434	12,682	12,936	13,195	13,459	13,728	14,002	14,282
Professional Services / Prof. Svc-Other	10,872	18,000	8,000	18,360	18,727	19,102	19,484	19,873	20,271	20,676	21,090	21,512	21,942	22,381	22,828	23,285	23,751	24,226	24,710	25,204	25,708
Communications / Telecommunications	7,778	7,750	7,750	7,905	8,063	8,224	8,389	8,557	8,728	8,902	9,080	9,262	9,447	9,636	9,829	10,025	10,226	10,430	10,639	10,852	11,069
Travel / Transportation/Per Diem	702	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel / Registrations	933	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rentals / Equipment Rental	69,061	67,837	85,438	88,001	90,641	93,360	96,161	99,046	102,017	105,078	108,230	111,477	114,822	118,266	121,814	125,469	129,233	133,110	137,103	141,216	145,452
Rentals / IMS Rental	5,457	6,944	7,013	7,223	7,440	7,663	7,893	8,130	8,374	8,625	8,884	9,150	9,425	9,708	9,999	10,299	10,608	10,926	11,254	11,591	11,939
Rentals / Rentals-Other	1,217	3,000	1,500	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720	6,921	7,129	7,343	7,563	7,790	8,024	8,264	8,512
Insurance / Insurance-Liability	10,395	10,674	11,136	11,359	11,586	11,818	12,054	12,295	12,541	12,792	13,048	13,309	13,575	13,846	14,123	14,406	14,694	14,988	15,287	15,593	15,905
Insurance / Insurance-Fire/Property	8,614	8,691	9,473	9,662	9,856	10,053	10,254	10,459	10,668	10,881	11,099	11,321	11,548	11,778	12,014	12,254	12,499	12,749	13,004	13,264	13,530
Insurance / AWC L & I Pool	1,310	1,015	1,015	1,035	1,056	1,077	1,099	1,121	1,143	1,166	1,189	1,213	1,237	1,262	1,287	1,313	1,339	1,366	1,393	1,421	1,450
Utility Services / Utility-Electric	76,793	50,000	80,000	82,400	84,872	87,418	90,041	92,742	95,524	98,390	101,342	104,382	107,513	110,739	114,061	117,483	121,007	124,637	128,377	132,228	136,195
Utility Services / Utility-City of Lacey	68,437	50,000	82,000	84,460	86,994	89,604	92,292	95,060	97,912	100,850	103,875	106,991	110,201	113,507	116,912	120,420	124,032	127,753	131,586	135,534	139,600
Utility Services / Utility-Solid Waste	15,093	8,000	10,000	12,360	12,731	13,113	13,506	13,911	14,329	14,758	15,201	15,657	16,127	16,611	17,109	17,622	18,151	18,696	19,256	19,834	20,429
Repairs & Maintenance / Rep & Maint-Equipment	1,285	2,000	3,500	3,605	3,713	3,825	3,939	4,057	4,179	4,305	4,434	4,567	4,704	4,845	4,990	5,140	5,294	5,453	5,616	5,785	5,959
Repairs & Maintenance / Rep & Maint-Facilities	3,055	3,500	3,500	3,605	3,713	3,825	3,939	4,057	4,179	4,305	4,434	4,567	4,704	4,845	4,990	5,140	5,294	5,453	5,616	5,785	5,959
Miscellaneous / Maintenance Contracts	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous / Assessments/Taxes	12,520	11,000	11,000	11,220	11,444	11,673	11,907	12,145	12,388	12,636	12,888	13,146	13,409	13,677	13,951	14,230	14,514	14,805	15,101	15,403	15,711
Miscellaneous / Misc - Disposal Fees	106	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Salaries & Wages / Salaries-Regular	105,870	114,987	95,509	98,374	101,325	104,365	107,496	110,721	114,043	117,464	120,988	124,618	128,356	132,207	136,173	140,258	144,466	148,800	153,264	157,862	162,598
Salaries & Wages / Salaries-Overtime	236	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Salaries & Wages / Salaries-Part-Time	12,709	2,500	14,000	20,000	20,600	21,218	21,855	22,510	23,185	23,881	24,597	25,335	26,095	26,878	27,685	28,515	29,371	30,252	31,159	32,094	33,057
Personnel Benefits / Employer Paid Benefits	50,709	50,300	44,344	47,005	49,825	52,814	55,983	59,342	62,903	66,677	70,678	74,918	79,413	84,178	89,229	94,583	100,258	106,273	112,649	119,408	126,573
Personnel Benefits / Unemployment Compensation	-	-	500	530	562	596	631	669	709	752	797	845	895	949	1,006	1,066	1,130	1,198	1,270	1,346	1,427
Supplies / Office & Operating Supply	10,641	-	7,500	14,280	14,566	14,857	15,154	15,457	15,766	16,082	16,403	16,731	17,066	17,407	17,755	18,110	18,473	18,842	19,219	19,603	19,995
Supplies / Small Tools & Equipment	1,625	2,000	1,500	8,160	8,323	8,490	8,659	8,833	9,009	9,189	9,373	9,561	9,752	9,947	10,146	10,349	10,556	10,767	10,982	11,202	11,426
Supplies / Supplies-Uniform Purchase	-	-	500	510	520	531	541	552	563	574	586	598	609	622	634	647	660	673	686	700	714
Professional Services / Prof. Svc-Other	20,546	1,000	20,000	20,400	20,808	21,224	21,649	22,082	22,523	22,974	23,433	23,902	24,380	24,867	25,365	25,872	26,390	26,917	27,456	28,005	28,565
Professional Services / Prof. Svc - Recreation	5,130	-	6,000	20,400	20,808	21,224	21,649	22,082	22,523	22,974	23,433	23,902	24,380	24,867	25,365	25,872	26,390	26,917	27,456	28,005	28,565
Travel / Transportation/Per Diem	3,101	-	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Travel / Dues, Subscriptions, Publ	500	-	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
Travel / Registrations	684	-	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800
Rentals / IMS Rental	9,242	10,850	11,608	11,956	12,315	12,684	13,065	13,457	13,861	14,276	14,705	15,146	15,600	16,068	16,550	17,047	17,558	18,085	18,627	19,186	19,762
Rentals / Rentals-Other	-	-	515	530	546	563	580	597	615	633	652	672	692	713	734	756	779	802	826	851	876
Miscellaneous / Maintenance Contracts	440	200	450	561	572	584	595	607	619	632	644	657	670	684	698	711	726	740	755	770	786

	Actual 2019	Budget 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029	Projected 2030	Projected 2031	Projected 2032	Projected 2033	Projected 2034	Projected 2035	Projected 2036	Projected 2037	Projected 2038	Projected 2039
Miscellaneous / Assessments/Taxes	6,627	1,300	6,500	7,140	7,283	7,428	7,577	7,729	7,883	8,041	8,202	8,366	8,533	8,704	8,878	9,055	9,236	9,421	9,609	9,802	9,998
Total RAC Operating Expenditures	1,093,198	951,441	1,173,087	1,273,639	1,315,489	1,358,916	1,403,988	1,450,777	1,499,358	1,549,810	1,602,217	1,656,666	1,713,248	1,772,060	1,833,202	1,896,781	1,962,909	2,031,704	2,103,287	2,177,790	2,255,348

Operating Income (Loss)	78,288	-	-	(103,712)	(133,485)	(364,593)	(397,100)	(431,073)	(466,581)	(703,700)	(742,506)	(783,082)	(825,513)	(869,892)	(916,312)	(964,875)	(1,015,687)	(1,068,858)	(1,124,506)	(1,182,755)	(1,243,734)
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Other Income																					
Beginning Fund Balance / Estimated Beginning Cash		1,131,710	125,000																		
Intergovernmental Revenue / Capital Area - PFD	1,260,404	813,388	1,102,854	1,124,911	1,147,409	1,170,357	1,193,765	1,217,640	1,241,993												
Interest Earnings / Investment Interest	20,348	9,451	12,728																		
Investment Interest / LGIP Earnings	19,687	13,850	2,201																		
Interest Earnings / Interest Earnings	9,549	6,485	1,036																		
Transfers In / Transfer In 303 Fund	394,730																				
Transfers In / Transfer In 001, 003, 005 Fund		105,270																			
Total Other Income	1,704,719	2,080,154	1,243,819	1,124,911	1,147,409	1,170,357	1,193,765	1,217,640	1,241,993	-	-	-	-	-	-	-	-	-	-	-	-

Other Expenses																					
Other Non-Operating Expenses																					
Total Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Debt Service																					
Debt Service Principal / 2015 LTGO RFDG (07 RAC)	405,000	420,000	435,000	455,000	470,000	490,000	515,000	540,000	565,000	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service Interest / 2015 LTGO RFDG (07 RAC)	159,200	147,050	134,450	121,400	103,200	84,400	64,800	44,200	22,600	-	-	-	-	-	-	-	-	-	-	-	-
Total Debt Service	564,200	567,050	569,450	576,400	573,200	574,400	579,800	584,200	587,600	-	-	-	-	-	-	-	-	-	-	-	-

Net Income (Loss)	1,218,807	1,513,104	674,369	444,800	440,724	231,364	216,864	202,367	187,811	(703,700)	(742,506)	(783,082)	(825,513)	(869,892)	(916,312)	(964,875)	(1,015,687)	(1,068,858)	(1,124,506)	(1,182,755)	(1,243,734)
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Capital Expenditures																					
Capital Outlays / Capital Outlays-Equipment	10,505	64,747			15,000	7,500					24,000										
Capital Outlays / Capital-Improvements	285,276	1,172,233	125,000	54,000	54,600	281,706	336,720	377,115	57,544	386,825	1,346,708	899,157	888,553	92,700	18,700	372,488	200,000	200,000	200,000	200,000	200,000
Capital Outlays / Capital Outlay-Buildings						14,550					51,510	25,750									
Capital Outlays / PFD - Administrative Cost	2,132	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000												
Total Capital Expenditures	297,913	1,244,980	133,000	62,000	77,600	311,756	344,720	385,115	65,544	386,825	1,422,218	924,907	888,553	92,700	18,700	372,488	200,000	200,000	200,000	200,000	200,000

Estimated Resources																					
Beginning Cash Fund 007	169,366	182,200	158,574	195,515	212,273	219,248	226,486	233,998	241,796	249,893	258,302	267,036	276,111	285,541	295,343	305,534	316,130	327,152	338,617	350,548	362,965
Beginning Cash Fund 307	2,740,800	3,648,861	2,505,562	2,884,990	3,251,031	3,607,180	3,519,550	3,384,182	3,193,636	3,307,807	2,208,873	35,415	(1,681,648)	(3,405,145)	(4,377,539)	(5,322,742)	(6,670,702)	(7,897,410)	(9,177,734)	(10,514,170)	(11,909,342)
Beginning Cash Subtotal	2,910,166	3,831,060	2,664,135	3,080,504	3,463,304	3,826,428	3,746,036	3,618,180	3,435,432	3,557,700	2,467,175	302,451	(1,405,538)	(3,119,604)	(4,082,196)	(5,017,208)	(6,354,572)	(7,570,258)	(8,839,116)	(10,163,622)	(11,546,377)
Use of Beginning Cash	-	(1,435,049)	(125,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Estimated Resources	2,910,166	2,396,011	2,539,135	3,080,504	3,463,304	3,826,428	3,746,036	3,618,180	3,435,432	3,557,700	2,467,175	302,451	(1,405,538)	(3,119,604)	(4,082,196)	(5,017,208)	(6,354,572)	(7,570,258)	(8,839,116)	(10,163,622)	(11,546,377)
Capital Expenditures	(297,913)	(1,244,980)	(133,000)	(62,000)	(77,600)	(311,756)	(344,720)	(385,115)	(65,544)	(386,825)	(1,422,218)	(924,907)	(888,553)	(92,700)	(18,700)	(372,488)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Net Income (Loss)	1,218,807	1,513,104	674,369	444,800	440,724	231,364	216,864	202,367	187,811	(703,700)	(742,506)	(783,082)	(825,513)	(869,892)	(916,312)	(964,875)	(1,015,687)	(1,068,858)	(1,124,506)	(1,182,755)	(1,243,734)
Total Ending Cash	3,831,060	2,664,135	3,080,504	3,463,304	3,826,428	3,746,036	3,618,180	3,435,432	3,557,700	2,467,175	302,451	(1,405,538)	(3,119,604)	(4,082,196)	(5,017,208)	(6,354,572)	(7,570,258)	(8,839,116)	(10,163,622)	(11,546,377)	(12,990,111)

Ending Cash - Operations (2-month reserve)	182,200	158,574	195,515	212,273	219,248	226,486	233,998	241,796	249,893	258,302	267,036	276,111	285,541	295,343	305,534	316,130	327,152	338,617	350,548	362,965	375,891
Ending Cash - Capital	3,648,861	2,505,562	2,884,990	3,251,031	3,607,180	3,519,550	3,384,182	3,193,636	3,307,807	2,208,873	35,415	(1,681,648)	(3,405,145)	(4,377,539)	(5,322,742)	(6,670,702)	(7,897,410)	(9,177,734)	(10,514,170)	(11,909,342)	(13,366,002)

REGIONAL ATHLETIC COMPLEX (RAC)

The Regional Athletic Complex operating fund (RAC) is comprised of 98 acres, 68 of which opened for public use in May of 2009. Phase III is a 26 acre parcel located west of Marvin Road, and scheduled for future development. A four acre parcel located in the southeastern corner of the Steilacoom Road/Marvin Road intersection offers potential for a commercial venture in partnership with the City of Lacey.

An on-site crew of four (4) full-time maintenance personnel and seasonal staff maintain the 68 acre site as well as a full time supervisor and part-time recreational staff overseen by a Recreation Manager. Staff schedules use of the complex, facilitates leagues, tournaments, and events, solicits sponsors and manages the concession contract. Since the softball/fastpitch/baseball complex opened in May 2009, revenue generated at the RAC has exceeded revenue projections.

BUDGET SUMMARY

The 2020 budget of **\$951,441** is the estimated cost to operate the RAC. The costs to maintain this facility are covered by fees, and intergovernmental revenues. The intergovernmental revenues are made up of the City's contribution, the remaining shared costs previously received from Thurston County as well as revenues contractually received from the Capital Area Regional Public Facilities District.

2020 PROGRAMS, GOALS AND PRIORITIES

- Increase revenues by optimizing tournament and league play, and special events.
- Develop, promote, and maintain the complex as the premier athletic facility in Washington.
- Market special events to a wider audience to increase revenue and off-season use.
- Ensure gender equitable use of the facility.
- Work with the Sports Commission to market the facility and secure event bookings.
- Articulate field capacities in order to secure bookings during times of non-use.
- Develop and promote a diversity of activities not typical to athletic complexes.
- Revisit the Financial Plan and make updates as needed.
- Implement staffing transition.
- Enhance community engagement.

Account Number	Description	2018 Actual Revenue/Expense	2019 Amended Budget	2020 Amended Budget
<i>Regional Athletic Complex - Revenues</i>				
Revenues				
007-0000-308.00-00	Estimated Beginning Cash	-	16,288	303,339
007-0000-338.10-10	Capital Area - PFD	200,000	200,000	200,000
007-0000-347.40-00	Event Admissions Fee	-	4,000	-
007-0000-347.60-50	Physical Activities Prog	9,176	8,000	-
007-0000-347.60-90	Special Events Program	272	-	-
007-0000-347.62-00	Shelter Fees	12,090	12,000	-
007-0000-347.65-00	Field Use Fees	320,482	320,000	55,371
007-0000-347.67-00	Concession Commission	-	1,000	-
007-0000-347.68-09	RAC League Parks CivicRec	48,824	60,000	1,000
007-0000-361.10-00	Investment Interest	6,964	3,783	1,456
007-0000-361.10-40	LGIP Earnings	8,764	7,375	2,134
007-0000-361.11-00	Interest Earnings	932	-	-
007-0000-361.32-00	Unrealized Gain(Loss)	(246)	-	-
007-0000-362.30-10	RV-Parking	3,330	2,500	-
007-0000-362.50-10	Lease - Consessionaire	20,000	22,000	2,300
007-0000-367.10-03	Contribution-Parks-Gen.	2,500	-	-
007-0000-367.10-04	Cont.-Parks Sponsor/Event	11,050	14,000	-
007-0000-397.10-01	Transfer In 303 Fund	331,276	340,131	198,922
007-0000-397.10-02	Transfer In 109 Fund	165,500	163,000	-
007-0000-397.10-04	Transfer In - Utility Tax	-	-	186,919
Total Regional Athletic Complex Fund Revenues		1,140,914	1,174,077	951,441

Account Number	Description	2018 Actual Revenue/Expense	2019 Amended Budget	2020 Amended Budget
<i>Regional Athletic Complex - Expenditures</i>				
Regional Athletic Complex				
Regional Athletic Complex Maintenance				
007-3305-576.10-01	Salaries-Regular	230,691	237,241	243,439
007-3305-576.10-05	Salaries-Overtime	3,452	2,563	9,000
007-3305-576.10-06	Salaries-Part-Time	59,708	81,735	70,000
007-3305-576.20-01	Employer Paid Benefits	133,158	117,700	125,254
007-3305-576.20-03	Unemployment Compensation	2,877	-	-
007-3305-576.31-01	Office & Operating Supply	86,689	110,000	65,000
007-3305-576.31-02	Small Tools & Equipment	2,634	4,923	2,000
007-3305-576.31-17	Supplies-Uniform Purchase	1,804	2,000	1,200
007-3305-576.34-01	Fuel	5,544	25,000	4,000
007-3305-576.41-01	Prof. Svc-Other	13,584	18,000	18,000
007-3305-576.42-01	Telecommunications	7,508	7,750	7,750
007-3305-576.43-02	Dues, Subscriptions, Publ	15	-	-
007-3305-576.43-03	Registrations	180	-	-
007-3305-576.45-01	Equipment Rental	74,076	69,061	67,837
007-3305-576.45-02	IMS Rental	4,996	5,457	6,944
007-3305-576.45-05	Rentals-Other	92	5,000	3,000
007-3305-576.46-01	Insurance-Liability	9,477	10,395	10,674
007-3305-576.46-02	Insurance-Fire/Property	8,579	8,242	8,691
007-3305-576.46-06	AWC L & I Pool	1,045	1,015	1,015
007-3305-576.47-01	Utility-Electric	65,718	80,000	50,000
007-3305-576.47-02	Utility-City of Lacey	67,909	82,000	50,000
007-3305-576.47-07	Utility-Solid Waste	13,550	12,000	8,000
007-3305-576.48-01	Rep & Maint-Equipment	6,296	3,500	2,000
007-3305-576.48-03	Rep & Maint-Facilities	2,877	3,500	3,500
007-3305-576.49-06	Maintenance Contracts	341	-	-
007-3305-576.49-25	Assessments/Taxes	12,142	11,000	11,000
Total Regional Athletic Complex Maintenance		814,942	898,082	768,304
Regional Athletic Complex General Services				
007-7401-576.10-01	Salaries-Regular	98,330	106,583	114,987
007-7401-576.10-05	Salaries-Overtime	275	-	-
007-7401-576.10-06	Salaries-Part-Time	9,408	34,242	2,500
007-7401-576.20-01	Employer Paid Benefits	41,166	52,458	50,300
007-7401-576.20-03	Unemployment Compensation	-	500	-
007-7401-576.31-01	Office & Operating Supply	937	14,000	-

Account Number	Description	2018 Actual Revenue/Expense	2019 Amended Budget	2020 Amended Budget
<i>Regional Athletic Complex - Expenditures</i>				
Regional Athletic Complex				
Regional Athletic Complex General Services- Continued				
007-7401-576.31-02	Small Tools & Equipment	10,063	8,000	2,000
007-7401-576.31-17	Supplies-Uniform Purchase	-	500	-
007-7401-576.41-01	Prof. Svc-Other	23,368	20,000	1,000
007-7401-576.41-11	Prof. Svc - Recreation	715	20,000	-
007-7401-576.43-01	Transportation/Per Diem	1,675	1,500	-
007-7401-576.43-02	Dues, Subscriptions, Publ	500	120	-
007-7401-576.43-03	Registrations	-	800	-
007-7401-576.45-02	IMS Rental	8,024	9,242	10,850
007-7401-576.45-05	Rentals-Other	-	500	-
007-7401-576.49-06	Maintenance Contracts	694	550	200
007-7401-576.49-25	Assessments/Taxes	6,099	7,000	1,300
Total Regional Athletic Complex General Services		201,254	275,995	183,137
Total Regional Athletic Complex Fund Expenditures		1,016,196	1,174,077	951,441

REGIONAL ATHLETIC COMPLEX (RAC)

The Regional Athletic Complex operating fund (RAC) is comprised of 98 acres, 68 of which opened for public use in May of 2009. Phase III is a 26 acre parcel located west of Marvin Road, and scheduled for future development. A four acre parcel located in the southeastern corner of the Steilacoom Road/Marvin Road intersection offers potential for a commercial venture in partnership with the City of Lacey.

An on-site crew of four (4) full-time maintenance personnel and seasonal staff maintain the 68 acre site as well as a full time supervisor and part-time recreational staff overseen by a Recreation Manager. Staff schedules use of the complex, facilitates leagues, tournaments, and events, solicits sponsors and manages the concession contract. Since the softball/fastpitch/baseball complex opened in May 2009, revenue generated at the RAC has exceeded revenue projections. A 20 year financial plan was prepared by staff in 2014, and will be updated by staff in 2020.

BUDGET SUMMARY

The 2021 budget of **\$1,188,343** is the estimated cost to operate the RAC but may change during the year due to COVID-19 public health crisis restrictions. The costs to maintain this facility are covered by fees, and intergovernmental revenues. The intergovernmental revenues are made up of the City's contribution, , LTAC funds applied for, as well as revenues contractually received from the Capital Area Regional Public Facilities District.

2021 PROGRAMS, GOALS AND PRIORITIES

THE FOLLOWING WOULD TYPICALLY BE GOALS AND PRIORITIES; HOWEVER, WITH THE COVID-19 PUBLIC HEALTH CRISIS SOME OF THESE MIGHT NOT BE POSSIBLE IN 2021.

- Increase revenues by optimizing tournament and league play, and special events.
- Develop, promote, and maintain the complex as the premier athletic facility in Washington.
- Market special events to a wider audience to increase revenue and off-season use.
- Ensure gender equitable use of the facility.
- Work with the Sports Commission to market the facility and secure event bookings.
- Articulate field capacities in order to secure bookings during times of non-use.
- Develop and promote a diversity of activities not typical to athletic complexes.
- Revisit the Financial Plan and make updates as needed.
- Enhance community engagement.

Account Number	Description	2019 Actual Revenue/Expense	2020 Amended Budget	2021 Proposed Budget
<i>Regional Athletic Complex - Revenues</i>				
Revenues				
007-0000-308.00-00	Estimated Beginning Cash	-	303,339	-
007-0000-338.10-10	Capital Area - PFD	200,000	200,000	200,000
007-0000-347.40-00	Event Admissions Fee	6,745	-	5,000
007-0000-347.60-50	Physical Activities Prog	7,242	-	4,000
007-0000-347.60-90	Special Events Program	14,720	-	10,000
007-0000-347.62-00	Shelter Fees	11,605	-	6,000
007-0000-347.65-00	Field Use Fees	270,896	55,371	300,000
007-0000-347.65-09	Field Fees Parks-CivicRec	69,426	-	-
007-0000-347.67-00	Concession Commission	1,507	-	1,000
007-0000-347.68-00	League Fees	58,585	-	55,000
007-0000-347.68-09	RAC League Parks CivicRec	-	1,000	-
007-0000-361.10-00	Investment Interest	10,713	1,456	5,194
007-0000-361.10-40	LGIP Earnings	10,581	2,134	880
007-0000-361.32-00	Unrealized Gain(Loss)	3,734	-	-
007-0000-361.32-02	Reverse Prev Year Adj	246	-	-
007-0000-362.30-10	RV-Parking	4,273	-	-
007-0000-362.50-10	Lease - Consessionaire	21,500	2,300	22,000
007-0000-367.10-03	Contribution-Parks-Gen.	5,000	-	-
007-0000-367.10-04	Cont.-Parks Sponsor/Event	8,600	-	7,000
007-0000-369.40-00	Court Fees /Judgments	265	-	-
007-0000-397.10-01	Transfer In 303 Fund	340,131	198,922	-
007-0000-397.10-02	Transfer In 109 Fund	163,000	-	160,000
007-0000-397.10-04	Transfer In - Utility Tax	-	186,919	197,013
007-0000-397.11-01	Transfer In 001,003,005	-	-	200,000
007-0000-397.15-01	Transfer in 501 Fund	-	-	15,256
Total Regional Athletic Complex Fund Revenues		1,208,769	951,441	1,188,343

Account Number	Description	2019 Actual Revenue/Expense	2020 Amended Budget	2021 Proposed Budget
<i>Regional Athletic Complex - Expenditures</i>				
Regional Athletic Complex				
Regional Athletic Complex Maintenance				
007-3305-576.10-01	Salaries-Regular	226,484	243,439	279,826
007-3305-576.10-05	Salaries-Overtime	10,968	9,000	12,563
007-3305-576.10-06	Salaries-Part-Time	109,321	70,000	90,000
007-3305-576.20-01	Employer Paid Benefits	144,183	125,254	149,042
007-3305-576.31-01	Office & Operating Supply	69,388	65,000	95,000
007-3305-576.31-02	Small Tools & Equipment	4,946	2,000	2,500
007-3305-576.31-17	Supplies-Uniform Purchase	1,485	1,200	2,000
007-3305-576.34-01	Fuel	4,734	4,000	10,000
007-3305-576.41-01	Prof. Svc-Other	10,872	18,000	8,000
007-3305-576.42-01	Telecommunications	7,778	7,750	7,750
007-3305-576.43-01	Transportation/Per Diem	702	-	-
007-3305-576.43-03	Registrations	933	-	-
007-3305-576.45-01	Equipment Rental	69,061	67,837	85,438
007-3305-576.45-02	IMS Rental	5,457	6,944	7,013
007-3305-576.45-05	Rentals-Other	1,217	3,000	1,500
007-3305-576.46-01	Insurance-Liability	10,395	10,674	11,136
007-3305-576.46-02	Insurance-Fire/Property	8,614	8,691	9,473
007-3305-576.46-06	AWC L & I Pool	1,310	1,015	1,015
007-3305-576.47-01	Utility-Electric	76,793	50,000	80,000
007-3305-576.47-02	Utility-City of Lacey	68,437	50,000	82,000
007-3305-576.47-07	Utility-Solid Waste	15,093	8,000	10,000
007-3305-576.48-01	Rep & Maint-Equipment	1,285	2,000	3,500
007-3305-576.48-03	Rep & Maint-Facilities	3,055	3,500	3,500
007-3305-576.49-06	Maintenance Contracts	2	-	-
007-3305-576.49-25	Assessments/Taxes	12,520	11,000	11,000
007-3305-576.49-28	Misc - Disposal Fees	106	-	-
Total Regional Athletic Complex Maintenance		865,139	768,304	962,256
Regional Athletic Complex General Services				
007-7401-508.90-00	Unassigned Funds	-	-	15,256
007-7401-576.10-01	Salaries-Regular	105,870	114,987	95,509
007-7401-576.10-05	Salaries-Overtime	236	-	-
007-7401-576.10-06	Salaries-Part-Time	12,709	2,500	14,000
007-7401-576.20-01	Employer Paid Benefits	50,709	50,300	44,344
007-7401-576.20-03	Unemployment Compensation	-	-	500

Account Number	Description	2019 Actual Revenue/Expense	2020 Amended Budget	2021 Proposed Budget
<i>Regional Athletic Complex - Expenditures</i>				
Regional Athletic Complex				
Regional Athletic Complex General Services-Continued				
007-7401-576.31-01	Office & Operating Supply	10,641	-	7,500
007-7401-576.31-02	Small Tools & Equipment	1,625	2,000	1,500
007-7401-576.31-17	Supplies-Uniform Purchase	-	-	500
007-7401-576.41-01	Prof. Svc-Other	20,546	1,000	20,000
007-7401-576.41-11	Prof. Svc - Recreation	5,130	-	6,000
007-7401-576.43-01	Transportation/Per Diem	3,101	-	1,500
007-7401-576.43-02	Dues, Subscriptions, Publ	500	-	120
007-7401-576.43-03	Registrations	684	-	800
007-7401-576.45-02	IMS Rental	9,242	10,850	11,608
007-7401-576.49-06	Maintenance Contracts	440	200	450
007-7401-576.49-25	Assessments/Taxes	6,627	1,300	6,500
Total Regional Athletic Complex General Services		228,060	183,137	226,087
Total Regional Athletic Complex Fund Expenditures		1,093,199	951,441	1,188,343



LACEY CITY COUNCIL WORKSESSION

June 10, 2021

SUBJECT: Review Water and Sewer rate increases 2021

RECOMMENDATION: Upon review and concurrence, provide recommendations for mid-year 2021 rate adjustments, if any, to be presented at the June 17, 2021, City Council meeting.

STAFF CONTACT: Scott Spence, City Manager *SS*
Scott Egger, Public Works Director *SE*
Troy Woo, Finance Director *TW*

ORIGINATED BY: Troy Woo, Finance Department

ATTACHMENTS:

FISCAL NOTE:

PRIOR REVIEW: 2021 Budget Workshop on October 1, 2020
2021 Revenue Hearing on November 5, 2020
Council Worksession on May 27, 2021

BACKGROUND:

During the 2021 Budget development process, staff developed one-year inflationary rate recommendations for water and sewer rates and implementation of the recently adopted stormwater annual rate comprehensive plan recommendation. Due to the uncertain COVID-19 public health emergency economic environment, the City Council delayed the consideration of rate increases to mid-year 2021.

At the May 27, 2021, Worksession, the City Council was presented three long-term rate scenarios for both the Water and Sewer utilities:

1. A construction improvement plan including septic-to-sewer projects with no rate increases on July 1, 2021

2. A construction improvement plan including septic-to-sewer projects with a 3.0 percent rate increases on July 1, 2021
3. A construction improvement plan without septic-to-sewer projects with a 3.0 percent rate increases on July 1, 2021

At the conclusion of the utility rate discussion, the City Council supported the funding of the long-term (2030-2039) septic abatement projects and mid-year rate adjustments to maintain the City's historical approach to keep rates more consistent and future rate increases lower. The City Council requested additional scenarios for water and sewer rates to include 5.0 percent mid-year 2021 adjustments for comparison purposes.

The following tables summarize three mid-year rate adjustment scenarios for the water and sewer utilities: 1) no July 1 rate increase, 2) a 3.0 percent July rate increase, and 3) a 5.0 percent July 1 rate increase. Also, each scenario includes the full construction improvement program including septic abatement projects.



Water Scenarios Summary

◆ Scenario 1: Full CIP, no July 2021 increase

	2021	2022	2023	2024	2025	2026	2027	2028+
Increase	0%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	3%/yr.
Debt			\$13.50m		\$12.50m		\$16.00m	\$20.00m

◆ Scenario 2: Full CIP, with 3.0% July 2021 increase

	2021	2022	2023	2024	2025	2026	2027	2028+
Increase	3% mid yr.	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	3%/yr.
Debt			\$12.25m		\$12.25m		\$16.50m	\$24.50m

◆ Scenario 3: Full CIP, with 5.0% July 2021 increase

	2021	2022	2023	2024	2025	2026	2027	2028+
Increase	5% mid yr.	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	3%/yr.
Debt			\$11.50m		\$12.25m		\$16.75m	\$20.25m

Sewer Scenarios Summary

- ◆ Scenario 1: Full CIP, no July 2021 increase

	2021	2022	2023	2024	2025	2026	2027	2028+
Increase	0%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	3%/yr.
Debt			\$6.50m		\$1.25m			n/a

- ◆ Scenario 2: Full CIP, with 3.0% July 2021 increase

	2021	2022	2023	2024	2025	2026	2027	2028+
Increase	3% mid yr.	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	3%/yr.
Debt			\$5.75m		\$1.00m			n/a

- ◆ Scenario 3: Full CIP, with 5.0% July 2021 increase

	2021	2022	2023	2024	2025	2026	2027	2028+
Increase	5% mid yr.	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	3%/yr.
Debt			\$5.25m		\$1.00m			n/a

Water Rates – 3.0 Percent Increase

A 3.0 percent increase to the 2021 residential water service charge is equal to \$1.04 per month (900 cubic feet). The following table illustrates the impact of a 3.0 percent increase for 2021:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Base Rate	\$ 15.67	\$ 16.14	\$ 16.62	\$ 17.12
Consumption	<u>17.01</u>	<u>17.52</u>	<u>18.04</u>	<u>18.58</u>
Total Monthly Charges	\$ 32.68	\$ 33.66	\$ 34.66	\$ 35.70

A mid-year 3.0 percent increase lowers the six-year rate projection by 0.75 percent annually over the six-year period and lowers the short-term (2023 - 2027) projected debt requirement by \$1.0 million.

Water Rates – 5.0 Percent Increase

A 5.0 percent increase to the 2021 residential water service charge is equal to \$1.74 per month (900 cubic feet). The following table illustrates the impact of a 5.0 percent increase for 2021:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Base Rate	\$ 15.67	\$ 16.14	\$ 16.62	\$ 17.45
Consumption	<u>17.01</u>	<u>17.52</u>	<u>18.04</u>	<u>18.94</u>
Total Monthly Charges	\$ 32.68	\$ 33.66	\$ 34.66	\$ 36.40

A mid-year 5.0 percent increase lowers the six-year rate projection by 1.25 percent annually over the six-year period and lowers the short-term (2023 - 2027) projected debt requirement by \$1.5 million.

Sewer Rates – 3.0 Percent Increase

A 3.0 percent increase to the 2021 residential sewer service charge is equal to \$0.66 per month. The following table illustrates the impact of a 3.0 percent increase for 2021:

	2016 Rate	2017 Rate	2018 Rate	2019 Rate	2020 Rate	2021 Rate
Basic Sewer Service Charge	\$18.80	\$19.60	\$20.43	\$21.30	\$21.94	\$22.60

A mid-year 3.0 percent increase lowers the six-year rate projection by 0.5 percent annually over the six-year period and lowers the short-term (2023 - 2025) projected debt requirement by \$1.0 million.

Sewer Rates – 5.0 Percent Increase

A 5.0 percent increase to the 2021 residential sewer service charge is equal to \$1.10 per month. The following table illustrates the impact of a 5.0 percent increase for 2021:

	2016 Rate	2017 Rate	2018 Rate	2019 Rate	2020 Rate	2021 Rate
Basic Sewer Service Charge	\$18.80	\$19.60	\$20.43	\$21.30	\$21.94	\$23.04

A mid-year 5.0 percent increase lowers the six-year rate projection by 1.0 percent annually over the six-year period and lowers the short-term (2023 - 2025) projected debt requirement by \$1.5 million.

Stormwater Rates

The most recent stormwater comprehensive plan update was completed and adopted by the City Council on November 19, 2020 as a part of the City's comprehensive plan update. The stormwater comprehensive plan financial chapter recommends 4.5 percent annual increases

for the years 2021 through 2025. If the City Council supports mid-year utility rate increases, staff recommends adopting a 4.5 percent increase as identified by the Stormwater comprehensive plan for 2021.

A 4.5 percent increase to the 2021 residential stormwater service charge is equal to \$0.53 per month. The following table illustrates the impact of a 4.5 percent increase for 2021:

	2016 Rate	2017 Rate	2018 Rate	2019 Rate	2020 Rate	2021 Rate
Charge per Gross Acre	\$9.54	\$10.11	\$10.72	\$11.36	\$11.87	\$12.40

Staff is prepared to develop and present utility rates ordinances for the City Council's consideration at the June 17, 2021 City Council meeting to allow a July 1, 2021 effective date.

ADVANTAGES:

1. Inflationary rate adjustments will help address future capital needs and the growing costs to produce and deliver quality services.
2. Maintaining inflationary rate increases provides customers consistent and predictable rate increases for planning purposes.
3. Deferring needed capital improvements or maintenance and ignoring operational and maintenance costs can occur when rates are kept artificially low. This can result in rate spikes to adjust future rates to the correct levels.

DISADVANTAGES:

1. Increasing utility rates can be challenging to customers regardless of the economic conditions. However, this modest increase will help offset future rate increases and allows the City of Lacey to maintain service levels and the protection of its resources.
2. The July 1, 2021 effective coincides with the high water use of the irrigation season.