



GENERAL GOVERNMENT & PUBLIC SAFETY COMMITTEE

TUESDAY, MAY 25, 2021

9:30 A.M.

REMOTE ATTENDANCE

To comply with Governor Inslee's [Proclamation 20-28](#), the General Government & Public Safety Committee Meeting will be conducted remotely, not in person. However, you may view the meeting by watching live through Zoom.

Link: <https://us02web.zoom.us/j/89585080576>

The public may also listen to the meeting via telephone by dialing toll-free:

(888) 788-0099 or **(877) 853-5247** – when prompted, enter Webinar ID: **895 8508 0576**
press # (participant ID not required)

BUILDING PERMIT FEE WAIVER

*RICK WALK, COMMUNITY AND ECONOMIC DEVELOPMENT DIRECTOR
(STAFF REPORT)*

SALVATION ARMY'S HOMELESS VETERAN SERVICE EXPANSION

*RICK WALK, COMMUNITY AND ECONOMIC DEVELOPMENT DIRECTOR
CAPTAIN JARED ARNOLD, SALVATION ARMY
(PRESENTATION)*



GENERAL GOVERNMENT & PUBLIC SAFETY COMMITTEE

May 25, 2021

SUBJECT: Amendments to LMC 1.20: Fee, Charges and Bonding Requirements

RECOMMENDATION: Briefing on proposal to expand fee waivers in LMC 1.20 to all developers that develop low-income affordable housing projects.

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

ORIGINATED BY: Community and Economic Development Department and City Manager

ATTACHMENTS: 1. [Draft Ordinance LMC 1.20: Fee, Charges & Bonding Requirements](#)

FISCAL NOTE: Waiving fees for low-income affordable housing projects will impact permit revenues based on the number of waivers issued.

PRIOR REVIEW: June 23, 2020, Finance and Economic Development Committee.

BACKGROUND:

A priority action item identified in the City of Lacey's Affordable Housing Strategy is expanding the program that waives fees for non-profits building low-income housing also to private sector builders that build low-income housing. LMC 1.20 currently authorizes the City Manager to waive certain development fees for certain non-profits and community based housing development organizations. Current organizations that meet this criteria include Habitat for Humanity, Boys and Girls Club of Thurston County, and HomesFirst.

The fees eligible to be waived include building, mechanical, plumbing, electrical, plan check and water meter fees. The City Manager is also authorized to defer wastewater connection and general discharge fees for certain affordable housing development projects. Just as the City reduces fees for certain non-profits and community based housing development organizations, the City Council could also authorize the City Manager to waive fees for private sector developers building low-income units. (Affordable Housing Strategy Action 6).

If City Council decides to consider this amendment, a program with criteria and conditions will need to be established to ensure the projects and/or units proposed for fee waiver are meeting the community's need for low income housing and state law regarding the use of public funds.

Amending LMC 1.20 to expand the waiver and deferral of certain fees to all developers would be an optional program a developer could choose to pursue. The success of the program depends on the actual demand by those in the development community who would utilize it. Other factors include targeting the appropriate income range, placement of qualifying households in the units, management of the units, and adequate resources for oversight of the proposed City program.

The following criteria are initial elements of a fee waiver program that Council can consider. This list is a starting point that can be refined based on discussions and feedback from the residential, building and social service communities:

- A developer may request a fee waiver or deferral for each unit that provides housing for moderate or low-income households. Moderate income is defined as 80% of AMI and Low income is defined as 50% of AMI.
- A fee waiver program could be established on a graduated scale. For example:
 - 50% fee reduction for units that meet 80% AMI
 - 100% fee reduction for units meeting 50% AMI or lower
 - Or, a combination thereof.
- Units receiving a waiver shall only be leased to qualifying moderate and low-income households in perpetuity.
- If the property owner would like to remove units from the program, all waived fees would be paid to the City at the value of the year the units are no longer available to moderate and low-income households.
- The developer would be required to enter into a partnership with a non-profit for leasing and management of the units designated for moderate and low-income households.
- An annual report would be provided to the City verifying occupants of all units designated for moderate and low-income housing are meeting the definitions of moderate and low-income definitions.

The Finance and Economic Development Committee was briefed on the proposal to expand fee waivers in LMC 1.20 at the June 23, 2020, committee meeting. The Committee

requested staff to meet with the Olympia Master Builders to discuss the proposal and obtain their feedback. Staff met with the Government Affairs Committee of the Olympia Master Builders and presented this proposed program. The members of the committee were supportive of the option and did not have detailed feedback.

The purpose of this briefing is to re-introduce the proposal to expand fee waivers in LMC 1.20 to all developers that construct housing for moderate and low-income households, to have a general discussion of program criteria, receive guidance from the Finance & Economic Development Committee on developing a draft program and start community outreach.

ADVANTAGES:

1. Extending a fee waiver to the private sector would incentivize the construction of affordable housing units within the community.

DISADVANTAGES:

1. Program administration will require additional staff time and resources.
2. Impact permit revenues based on the number of waivers issued.

5.20.21 Draft: Fee Waiver for Affordable Housing

Chapter 1.20
FEES, CHARGES AND BONDING REQUIREMENTS

Sections:

- 1.20.010 Established by city council
- 1.20.020 Council policy regarding the waiver of building permit and other construction-related fees for community-based housing development organizations, Habitat for Humanity, and Boys and Girls Club of Thurston County projects
- 1.20.030 Deferral of wastewater connection fees and general facilities charges for certain affordable housing developments
- 1.20.040 Waiver of building permit and other construction-related fees for affordable housing projects
- 1.20.050 Project eligibility
- 1.20.060 Administration
- 1.20.070 Application review
- 1.20.080 Cancellation of project

1.20.010 Established by city council.

Except where a fee or charge to be paid to the city of Lacey or a specific bonding requirement is set forth specifically in this code, said fee, charge or bonding requirement shall be as established by the city council by the passage of a resolution adopting a fee, charge, and bonding requirement schedule. The city council shall further set the dollar penalty for failure to pay said fee or charge in a timely manner by passage of such resolution. (Ord. 666 §1, 1982).

1.20.020 Council policy regarding the waiver of building permit and other construction-related fees for community-based housing development organizations, Habitat for Humanity, and Boys and Girls Club of Thurston County projects.

The city manager is authorized, in accordance with the standards and conditions set forth in that certain council policy entitled "Waiver of Building Permit and Construction-Related Fees," to waive the fees that otherwise would be required under the Lacey Fee Schedule adopted by

resolution of the city council and the following provisions of the Lacey Municipal Code for community housing development organizations that meet the requirements set by the U.S. Department of Housing and Urban Development (HUD), Habitat for Humanity, and Boys and Girls Club of Thurston County projects:

- A. "Water Meter Only" and "Construction Water" - LMC [13.32.010](#).
- B. Building Permit Fee - Chapter [14.04](#) LMC.
- C. Mechanical Permit Fee - Chapter [14.05](#) LMC.
- D. Plumbing Permit Fee - Chapter [14.06](#) LMC.
- E. Electrical Permit Fee - Chapter [14.13](#) LMC.
- F. Plan check fees in conjunction with the permits listed above.
- G. Transportation Mitigation Fee - Chapter [14.21](#) LMC. (Ord. 1548 §2, 2019; Ord. 1362 §2, 2011; Ord. 1248 §2, 2005).

1.20.030 Deferral of wastewater connection fees and general facilities charges for certain affordable housing developments.

The City Manager is authorized, in accordance with the standards and conditions set forth in that certain Council policy entitled "Council Policy Regarding The Deferral Of Wastewater Connection Fees And General Facilities Charges For Certain Affordable Housing Developments" and on file with the City Clerk, to defer the connection fees which otherwise would be required under LMC [13.16.010](#), [13.16.027](#) and [13.16.028](#) and, if the LOTT Alliance takes similar action, to defer those certain capacity development charges levied by LMC [13.16.025](#). (Ord. 1314 §2, 2008).

1.20.040 Waiver of building permit and other construction-related fees for affordable housing projects.

The City Manager is hereby authorized to waive the following fees for affordable housing projects that otherwise would be required under the Lacey Fee Schedule adopted by resolution of the City Council and the provisions of the Lacey Municipal Code:

- A. "Water Meter Only" and "Construction Water" - LMC 13.32.010.

B. Building Permit Fee - Chapter 14.04 LMC.

C. Mechanical Permit Fee - Chapter 14.05 LMC.

D. Plumbing Permit Fee - Chapter 14.06 LMC.

E. Electrical Permit Fee - Chapter 14.13 LMC.

F. Plan check fees in conjunction with the permits listed above.

G. Transportation Mitigation Fee - Chapter 14.21 LMC.

1.20.050 Project eligibility.

A proposed project must meet the following requirements for consideration of a waiver of fees identified in Lacey Municipal Code 1.20.040:

A. Location. The project must be located within the Lacey corporate limits.

B. Proposed Completion Date. The construction of housing units granted a waiver shall be completed within two years from the date of approval of the application.

C. Minimum Percentage. A minimum of 10 percent of the total number of proposed units within a development that is granted a waiver shall be designated affordable under section 1.20.050 (F).

D. Other Regulations. Units granted a waiver shall comply with all applicable Federal, State, and local affordability standards.

E. Targeted Area Median Income. Proposed affordable housing units shall be rented or sold to individuals with an area median income of 60% or less as established by the most recent Department of Housing and Urban Development calculation for the Olympia-Tumwater WA Metropolitan Statistical Area.

F. The applicant agrees the units granted a waiver will remain designated for those with an area median income of 60% or less as established by LMC 1.20.050(E) in perpetuity. This classification shall be established through restrictive covenants, deed restrictions, or other binding affordability agreement approved by the City. These affordability covenants or deed restrictions must be in place as a written agreement that is recorded with the deed of the property and limits transfer of the property to another qualified household. The covenants or deed restrictions will apply permanently.

G. An agency designated by the City shall monitor compliance of the affordability requirements established by LMC 1.20.050(F) for units granted waivers.

1.20.060 Administration.

A. Fee waiver grantees shall be required to provide a certified written annual report to the City of Lacey and the designated agency demonstrating continued compliance with affordable housing requirements as well as reporting occupancy and vacancy statistics of the affordable housing units.

B. If an applicant is planning to utilize a third party entity to provide and manage the affordable units, the applicant and the third party must enter into an agreement that clarifies the management, use and oversight of the affordable components. This agreement is in addition to a deed restriction and/or affordability covenant.

C. The affordable units shall be distributed proportionally throughout the development, appropriately designed and integrated with the market-rate units, and, as feasible, contain the same number of bedrooms as the market-rate units. Thirty percent (30%) of affordable units must be delivered in the first phase (where applicable) and the remainder of the units must be delivered proportionally based on the development build-out and phasing.

D. The waiving of fees will only apply to the affordable units within a development. The City will not waive fees for market-rate units.

1.20.070 Application review.

A. The City Manager may certify as eligible an application which is determined to comply with the requirements of this chapter. A decision to approve or deny an application shall be made within ninety (90) calendar days of receipt of a complete application.

B. Approval. The City Manager may approve the application upon the finding that:

1. The proposed project is or will be, at the time of completion, in conformance with all local plans and regulations that apply at the time the application is approved; and
2. The applicant has complied with all standards and guidelines adopted by the city under this ordinance.

C. The City Manager shall issue a written decision on issuance of a waiver to the applicant.

D. Availability of Waivers. The City of Lacey is limited in the number of waivers distributed each year. The number of waivers available shall be limited to 50 units per year. These waivers will be distributed on a first come, first served basis.

1.20.080 Cancellation of project.

A. If the designated agency determines the applicant is not in compliance with the terms of this chapter, the waiver of fees will be canceled. This cancellation may occur in conjunction with the annual review or at any other time when noncompliance has been determined. If a cancellation of fees occurs, the current owner of the unit will be required to reimburse the City all waived fees adjusted annually for inflation.

B. If the developer or property owner wishes to terminate their waiver of fees, they must provide thirty (30) days' written notice to the City Manager. Upon cancellation, reimbursement shall be made to the City for all waived fees adjusted annually for inflation.

C. Notice and Appeal. Upon determining that a waiver of fees is to be canceled, the City Manager shall notify the property owner by mail, return receipt requested. The property owner may appeal the determination by filing a notice of appeal with the City Manager within thirty (30) calendar days, specifying the factual and legal basis for the appeal. The Hearings Examiner will conduct a hearing at which all affected parties may be heard and all competent evidence received. The Hearings Examiner will affirm, modify, or repeal the decision to cancel the exemption based on the evidence received. Any appeal of the Hearings Examiner's decision shall be to Thurston County Superior Court.