

CITY OF LACEY AFFORDABLE HOUSING STRATEGY



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Appendix to Housing Element of the Lacey Comprehensive Plan



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City Council

Andy Ryder, Mayor
Cynthia Pratt, Deputy Mayor
Councilmember Jason Hearn
Councilmember Lenny Greenstein
Councilmember Michael Steadman
Councilmember Carolyn Cox
Councilmember Lynda Zeman

Planning Commission

Paul Enns, Chair
Sharon Kophs, Vice-Chair
Eddie Bishop
Peg Evans-Brown
David Lousteau
Mark Mininger
Daphne Retzlaff
Shaunesy Walden Behrens
David Wasson

City of Lacey Staff

Scott Spence, City Manager
Jacob Ewing, Assistant to the City Manager
Rick Walk, Community & Economic Development Director
Ryan Andrews, Planning Manager
Jessica Brandt, Associate Planner
George Smith, Economic Development Coordinator
Donna Feliciano, Communications Specialist

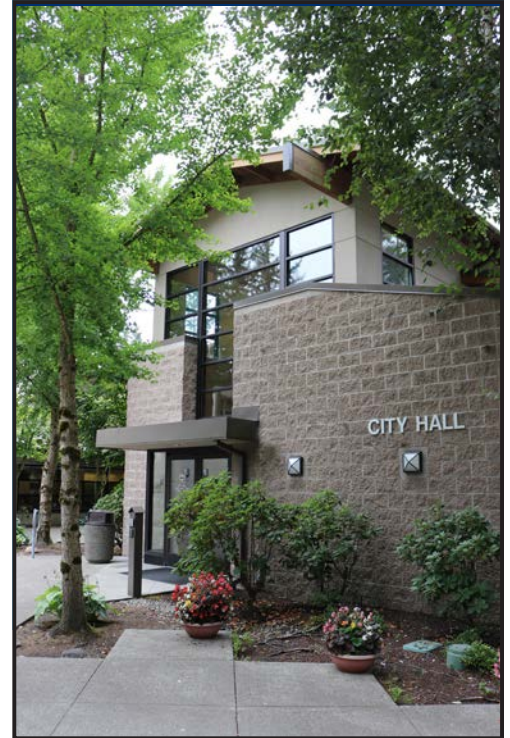


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INTRODUCTION

Lacey is in the midst of an affordable housing crisis, and the City is not alone. According to data provided by the Washington State Department of Commerce, there are an estimated 14,000 households in Thurston County that are currently cost burdened in their rental unit and an additional 19,000 households that are cost burdened as owners. That means nearly 1 in 3 Thurston County households spend more than 30 percent of its income on housing. Typically portrayed in the media as a Seattle or King County issue, housing affordability has been pushed to the forefront as housing costs in more-expensive markets have pushed buyers farther afield, including to the local Thurston County market. However, that is not the whole story. Many factors influence housing affordability such as employment, wages, unintended social issues, and internal/external market factors.

Nearly 1 in 3 Thurston County households spend more than 30% of its income on housing.

This strategy document will expand on the factors listed above that influence the housing dilemma and identify strategies the City can take to reduce the effects of the housing affordability issue.

To help solve the housing crisis, the City and our partners need to create more housing options for our residents.



30-percent Rule
Explained

The conventional public policy indicator of housing affordability in the United States is the percent of income spent on housing. The 30 percent rule of thumb evolved from the United States National Housing Act of 1937. This act created the public housing program. The program was designed to serve families in the lowest income group. The program established income limits, rather than maximum rents, to determine if a family qualified to live in public housing.

Although this rule of thumb was created for public housing, today it remains the most commonly accepted standard of affordability for all types of housing.

28/36 Rule
Explained

Mortgage lenders use a stricter standard. The 28-36 rule states that a household should spend no more than 28 percent of its gross monthly income on total housing expenses and no more than 36 percent on all debt including housing-related expenses and other recurring debt service.

WHAT IS AFFORDABLE HOUSING?

Affordability is relative. A middle manager at an investment firm can afford a \$1,500/month one-bedroom unit. However, to a Starbucks barista, this is completely out of reach. Generally, the rule of thumb is: Housing costs should account for no more than 30 percent of your income. However, the mortgage industry applies the 28/36 rule. (See sidebar for details.) The region provides a limited supply of workforce market rate and subsidized housing to help its residents stay within that 30-percent limit.

Access to this subsidized housing is also tied to the amount of money you or your family earns relative to what is known as the Area Median Income (AMI).

In 2016, Thurston County's household AMI was \$63,286. According to the Federal Department of Housing and Urban Development (HUD), household

Housing costs should account for no more than 30 percent of your income.

earning less than 30 percent AMI are considered Extremely Low Income; 30-50 percent AMI are Very Low Income; and 50 to 80 percent are regular Low Income (Table 1). Anyone who falls into one of these three low-income categories qualifies for public housing through the Housing Authority, or for other non-profit housing programs.

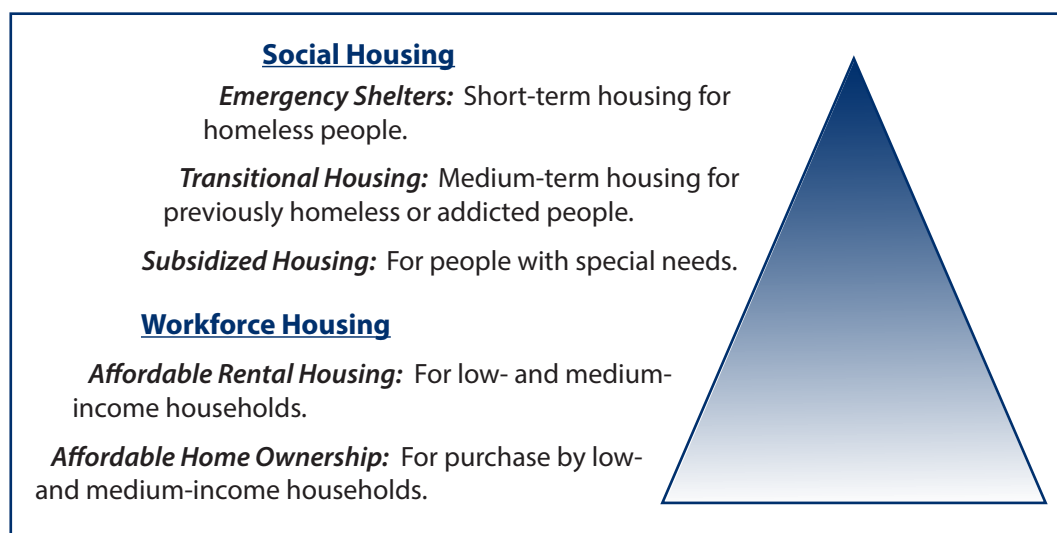
TABLE 1. Low-Income Categories

LOW-INCOME CATEGORIES		
Earnings % of AMI*	Income Range	Income Category
50-80%	\$31,643 - \$50,629	Low
30-50%	\$18,986 - \$31,643	Very Low
less than 30%	less than \$18,986	Extremely Low
*AMI = Area Median Income Thurston County's 2016 Household AMI = \$63,286		

Affordable housing demands range from a small number of people who need subsidized social housing to a much larger number of households that need lower-priced workforce housing to rent or purchase (Figure 1, page 3). Virtually all of these households can also benefit from living in an accessible location with relatively low transportation costs.



FIGURE 1. Housing Demand Types*



The demand for all of these housing types is outstripping the supply, especially workforce housing.

*Evaluating Affordable Housing Development Strategies, Todd Litman, 03/26/16, www.planetizen.com)

WHAT IS CONTRIBUTING TO HOUSING UNAFFORDABILITY?

The short answer is that the need for housing is outstripping the amount available. While our job growth and economy look great on paper, it created a demand for new housing faster than what is being built, and the high-demand/low-supply is displacing many cost-burdened and very-low-income residents. More specifically, in the past few years the number of jobs in our region grew 20 percent and housing only grew 14 percent.

People are moving here from higher-priced markets due to:

- A healthy economy and quality of life.
- Relative affordability compared to the much more expensive areas in the Central Puget Sound Region.
- Ease and willingness to commute.

Of the 7,468 households that migrated into Thurston County in 2015-2016, 62% moved from areas where real estate costs were higher than Thurston County (Table 2). This trend is consistent with Thurston County's outbound commute patterns, however cannot be directly connected.

TABLE 2. In-Migration to Thurston County from More-Expensive Areas 2015-2016

	Total Households In-Migration	Members of Households	Central Puget Sound	Beyond Central Puget Sound	Other Areas
Totals	7,468	14,711	3,200	1,425	2,023
Percentage	100%	100%	43%	19%	38%
Source: https://www.irs.gov/statistics/soi-tax-stats-migration-data-2015-2016					

New housing isn't being built as fast as it is needed. Why?

These development costs also play a role in rising home prices. Increasing:

- Land-acquisition costs; especially as large developable greenfield parcels are acquired for development.
- Construction costs such as cost and availability of labor, and increasing costs of building materials.

These factors also impact development costs but, may not be as commonly considered by people outside the development community.

- Impact fees for schools, streets, and parks.
- Connection fees for water, and especially sewer.
- Interest rates.



Impact Fees

Cities impose impact fees on property developers for new infrastructure that must be built or increased, due to new property development. These fees off-set the impact of additional development and residents, on the city's infrastructure and services which include the city's water and sewer network, police and fire protection services, schools, and libraries. At times, developers view impact fees as a disincentive because the fees can significantly raise the cost of a large construction project.

Connection Fees

Developers must pay utility connection fees (Appendix A) prior to receiving their building permit. They do not recover these fees until a home is sold or apartments are rented. Since the construction time for a single-family home is much shorter than a 100-unit building, the developer will recover these costs much quicker. The higher development cost and much longer construction time for the larger building mean that the builder's invested equity and interest-accruing borrowed funds are tied up for a longer period of time. This is an example where time truly is money (Table 3). When considering the economic feasibility of a project, especially an apartment building where substantial amounts of capital are tied up for long periods of time, the longer time-frame represents greater risk. If the risk is too high, developers may choose other investment opportunities, with similar or even lower risks.

If the project expenses, including connection fees, are too high, too early in the process, or both, it can make the development financially unfeasible. In a rising interest rate environment, this makes those costs, even more burdensome.

Interest Rates

Over the last 17 years, borrowers have benefitted from low interest rates. However, the recent upward trend in interest rates affects borrowers at every step in the housing-development process (developers, builders, contractors, sub-contractors, homebuyers, and landlords). This means it will be more expensive to build housing of all types, therefore, more expensive to buy or rent. Ultimately, low-income homebuyers and renters will have fewer housing options.

TABLE 3. Connection Fee Comparison

Type of Housing Unit	Number of Units	Approximate Connection Fee	Relative Fee-Recovery Time
Single-Family Home	1	\$16,700	Short
Multi-Unit Building	100	\$757,000	Long

Note: Multi-unit connection fees depend on meter size, which is driven by the number of units being built and number of stories. The City charges less per unit for a multi-unit building than for single-family homes because users of multi-units tend to use less water., i.e. 100 units would be 70 Equivalent Residential Unit (E.R.U.s.) See appendix for full connection fee schedule.

Chapter 1.

LACEY HOUSING MARKET

Market-Rate Rentals

Rental prices have increased steadily over the past few years. From 2017 to 2018, prices for all types of units increased by 5-10% and have surpassed what Housing and Urban Development (HUD) guidelines define as "Fair Market Rate" (Tables 4 and 5).

Although HUD considers inflation in their annual fair market rate calculations, rents have increase faster than they calculated. HUD calculates the fair market rate at the 40th percentile of gross rents for typical, non-substandard rental units occupied by recent movers in a local housing market. (For details on how HUD calculates fair market rates, visit: <https://www.huduser.gov/periodicals/USHMC/winter98/summary-2.html>.)

TABLE 4. 2018 Thurston County Fair Market Rates (FMR) as defined by HUD

Year FMR	Efficiency (Studio)	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
2018	\$852	\$904	\$1,120	\$1,629	\$1,973
2017	\$784	\$866	\$1,071	\$1,559	\$1,887
% Increase	8.67%	4.39%	4.58%	4.49%	4.56%

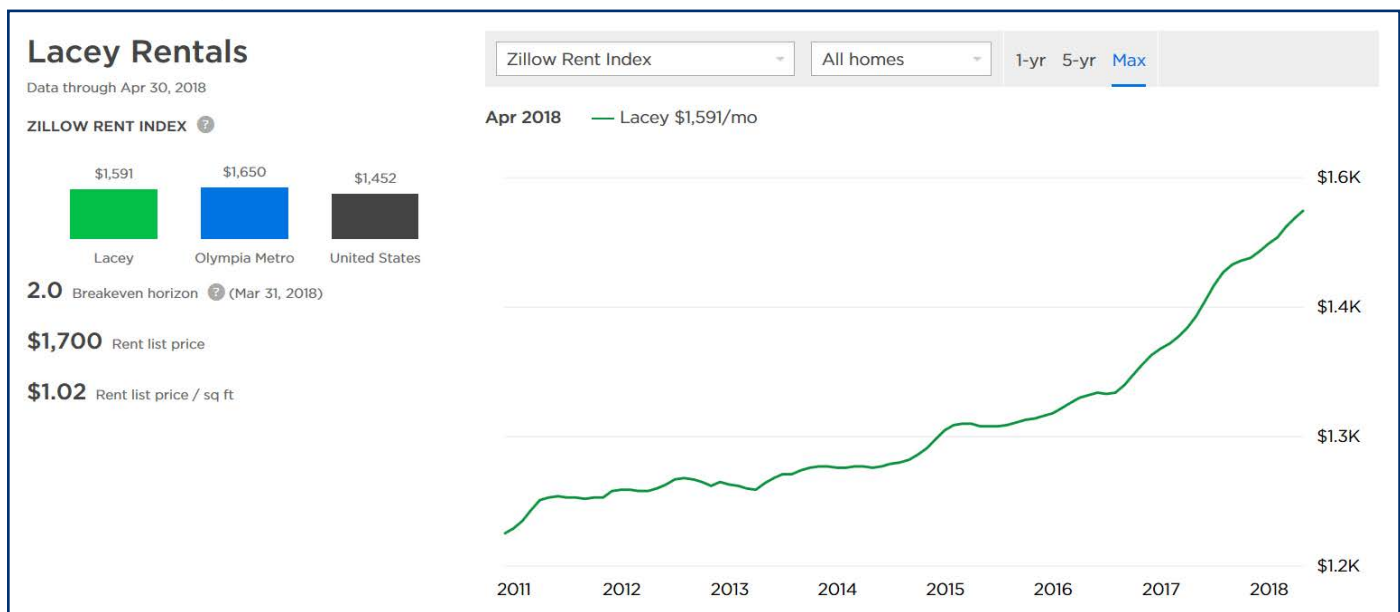
Source: www.huduser.gov

TABLE 5. City of Lacey Average Rental prices (actual) 2017-2018

Type of Unit	Rental Price	Income Needed
One-Bedroom	\$1,000	\$40,000 - single renter
Two-Bedroom	\$1,475	\$29,000 - shared by 2 people \$58,000 - single renter

*The income figure is based on 30% of gross monthly income used to cover housing cost.

FIGURE 2. Lacey Rent Index Zillow



1. LACEY HOUSING MARKET

Cost-Burdened Renters

According to the Washington State Department of Commerce's 2015 Washington State Housing Needs Assessment prepared for Thurston County, more than 14,000 households are cost-burdened or severely cost burdened (spending between 30% and 50% of their monthly income on rent). Thurston County has about 19,270 low-income renter households and about 3,838 subsidized housing units in 70 sites. A majority of these units are located in Olympia.

(<http://www.commerce.wa.gov/wp-content/uploads/2016/10/AHAB-needs-urban-Oly-Lacey.pdf>)

Market-Rate Homes

Home buyers, especially first time buyers, struggle to enter the market because of how quickly prices have increased. A healthy market has about six months worth of housing inventory. However, according to Don Manzer of Virgil Adams Real Estate, Inc., Thurston County has only 1.3 months of inventory for homes priced under \$450,000.

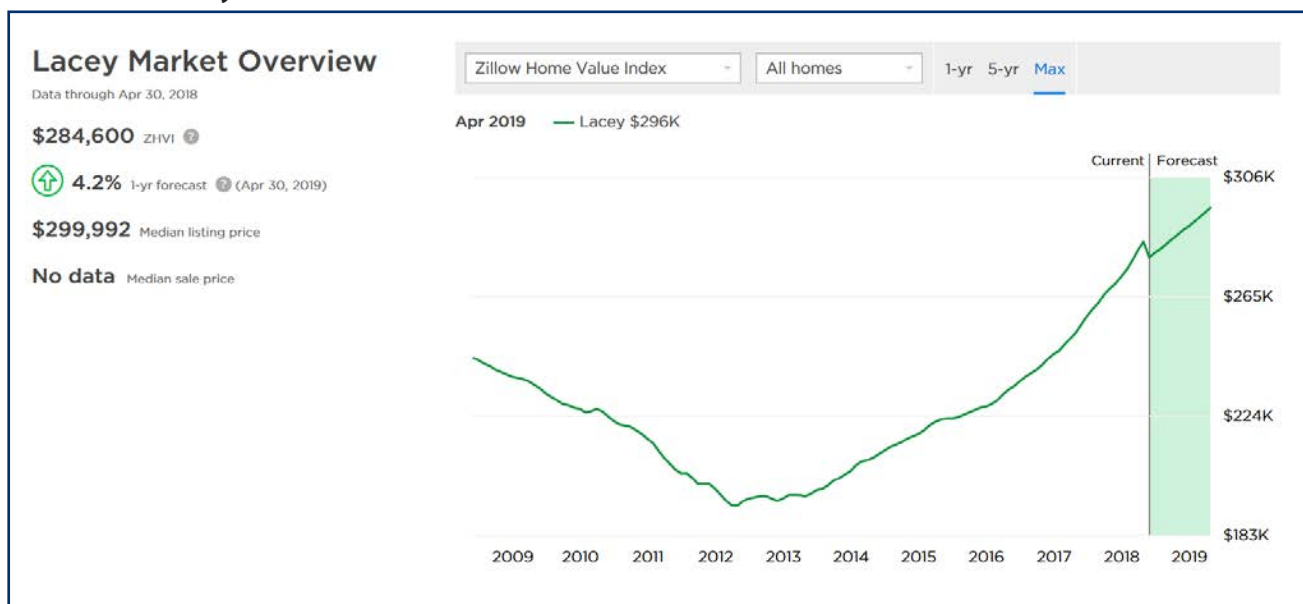
Thurston County has only 1.3 months of inventory for homes priced under \$450,000.

According to the *The Olympian* article "Brace yourself: Thurston County homes are selling faster than last year," many homes are taking an average of 9 days to sell, compared to 15 days in 2017. During the last market peak in 2006, houses were on the market for an average of 43 days.

Boone, Rolf. "Brace yourself: Thurston County homes are selling faster than last year." *The Olympian*, May 3, 2018. Retrieved from <http://www.theolympian.com/article210623004.html>



FIGURE 3. Lacey Market Overview Zillow



Lacey's Housing Inventory

It is important to have a clear picture of Lacey's available housing stock to understand current and future housing needs. According to data from Thurston Regional Planning Council (TRPC), in 2017, Lacey had an estimated 21,030 housing units, with an additional 13,880 units within the unincorporated Urban Growth Area (UGA), for a total of 34,910 units within the entire Lacey UGA. The vast majority of housing units in the City and UGA, a total of 67 percent, are single-family detached homes. Another 9,160 units, or 26 percent of the total, are multi-family units, and the remaining 2,290 are manufactured homes, accounting for 6.5 percent of housing units.

Based on population estimates for Thurston County and the Buildable Lands Report, TRPC developed a forecast for housing for the UGA. This study forecasts housing development and allocation over five-year increments. Table 6 shows the forecasted number of dwelling units needed to accommodate the projected population for the City and UGA to the year 2035. With 33,060 residential units located within Lacey's UGA in 2015, it is anticipated that an additional 12,220 new units will be needed during the upcoming twenty-year planning period. It is projected that over 60 percent of the dwelling units constructed over the planning period will be located in the unincorporated portions of the UGA.

TABLE 6. Projected Number of Dwelling Units for Lacey and UGA
(2016 Lacey Comprehensive Plan)

	2020	2025	2030	2035
Lacey	21,480	22,290	23,000	23,470
UGA	15,540	17,660	19,910	22,090
Total	37,020	39,950	42,910	45,560



Thurston County Housing: The Problem

- Recent population growth equates to the need for over 2,000 new housing units per year.
- Over the last six years, we've been short by an average of 600 units per year countywide.
- Household size is getting smaller, requiring more units than before.
- This shortage has led to vacancy rates below 3% for several years (many vacant units aren't rent ready, further shrinking supply).

(Thurston Thrives, Housing Action Team, Incentivized Housing - Regional Housing Summit II)

Housing Development Trends: Permits Issued

Until recently, the majority of new housing permits issued were for single family homes. In 2016 the City saw an uptick in multi-family housing and that trend is continuing. Multi-family housing helps provide one and two-bedroom rental units that are in high-demand. (Figures 4 & 5).

FIGURE 4. Multi-Family Housing Units City of Lacey

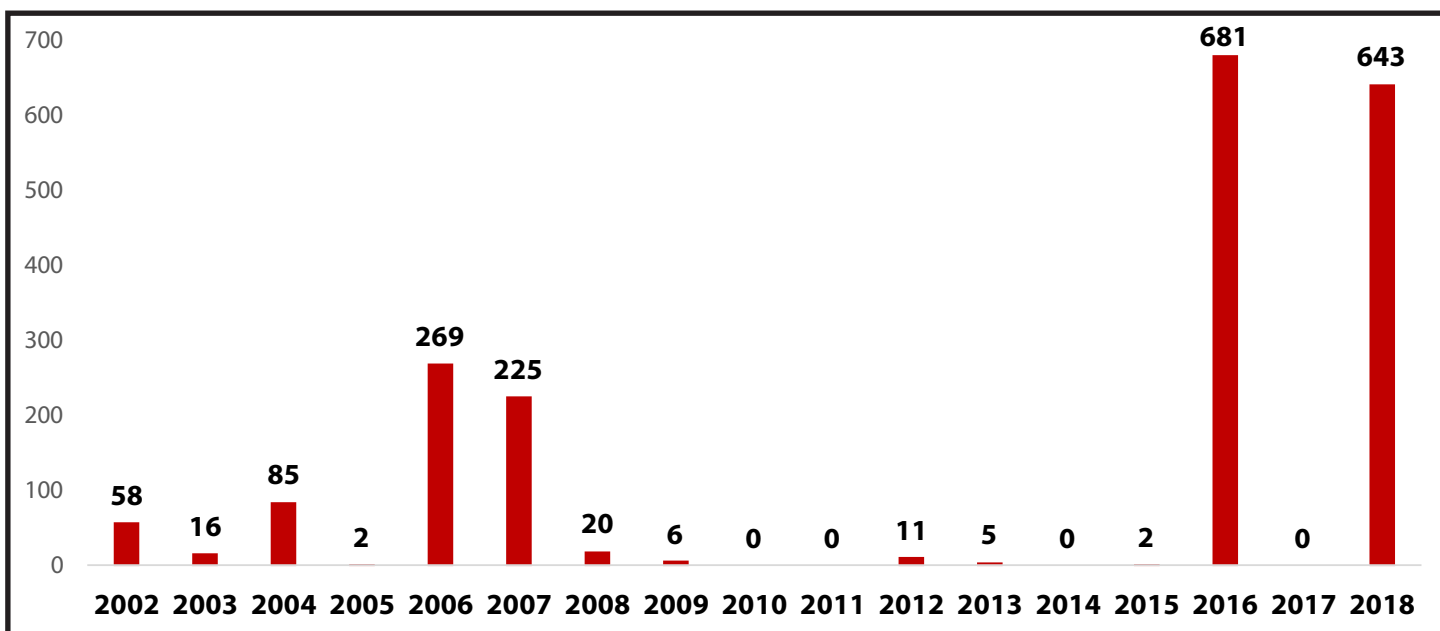
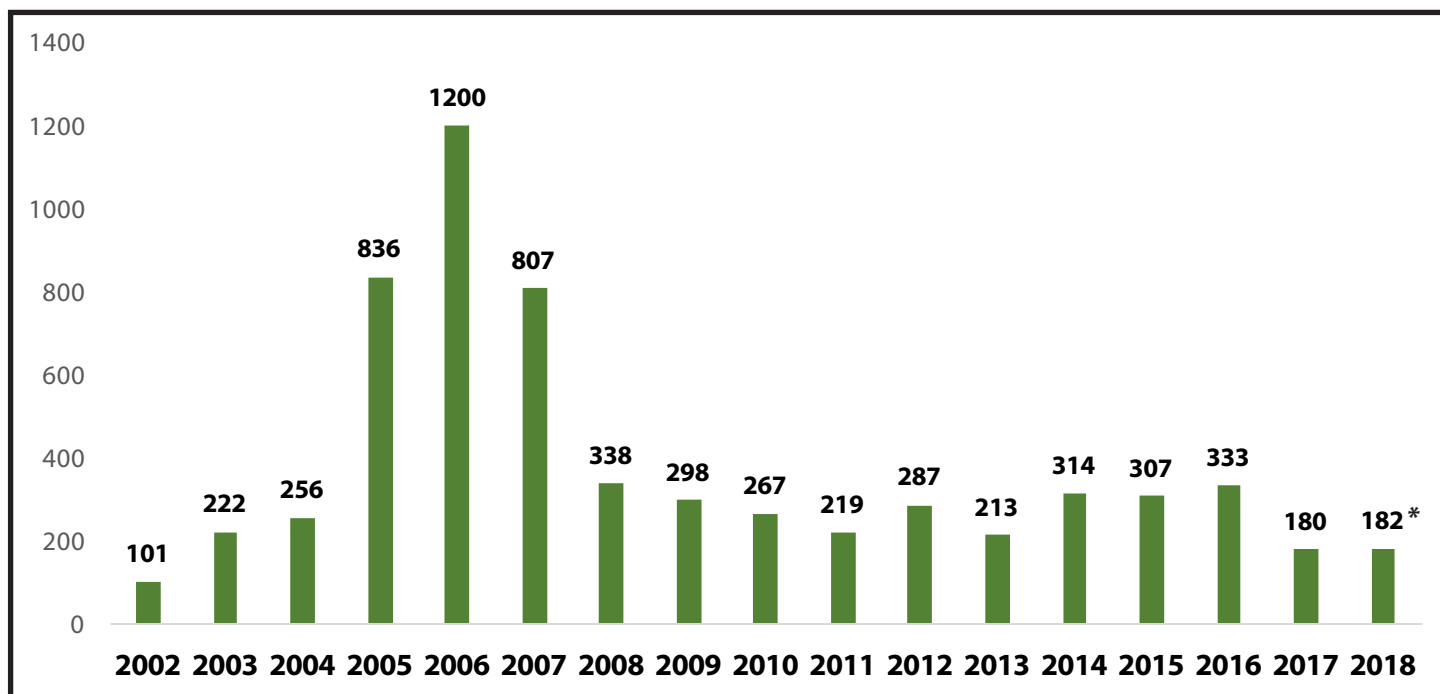
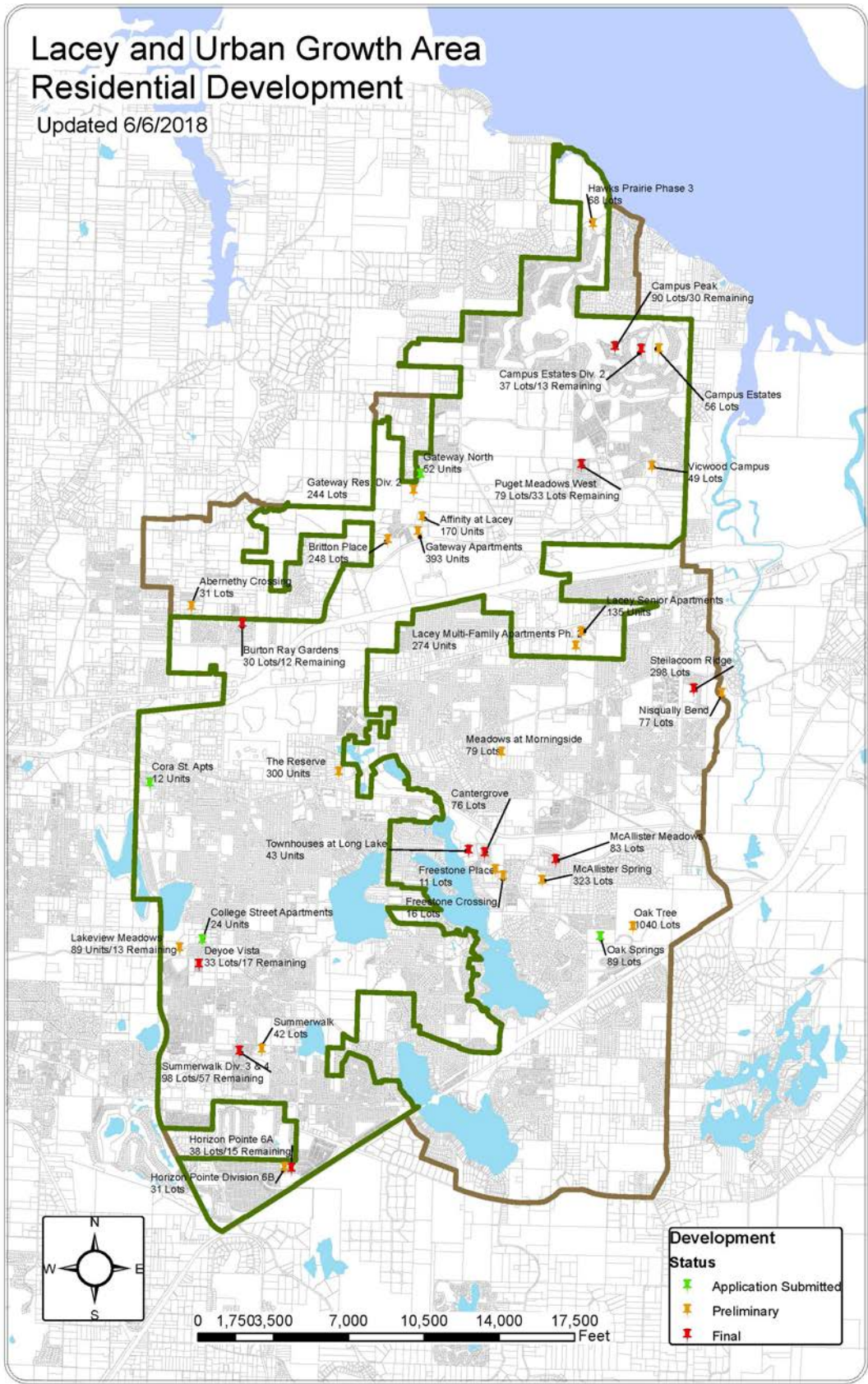


FIGURE 5. Single-Family Homes City of Lacey



*2018 Numbers do not include permits issued by Thurston County in recently annexed new development

Number of Lots in Development Pipeline



Development Pipeline

More multi-family housing has been developed in Lacey the last year and more will be available in Lacey in the next few years.

Applications Submitted: **190**

Preliminary Plat Approved: **3,570**

Final Plat Approved: **677**

Total* in Pipeline: **4,437**

*City and Urban Growth Area

About 20% are Rental Units, not Single-Family Home Lots.

Despite Lacey's new housing growth, demand is still outpacing supply.

Income Equation

The income equation is on the other side of the housing affordability issue.

Housing is neither affordable nor unaffordable without the context of wages available to rent or buy them.

Chapter 2.

INCOME & LACEY

EMPLOYMENT MARKET

Incomes

Although low income people are working hard, they still don't earn enough to rent even a modest one bedroom apartment. The average full-time, 40-hour-a-week worker making minimum wage would need to earn more than \$20 an hour to afford a modest one-bedroom apartment by today's standards. This chapter looks at real life jobs in Thurston County, how much they earn, and how much apartment or house they can afford at that income. The assumptions for Tables 7-13 are described in Appendix B.

The following wage information is based on best available data with professional judgment applied at the local level. There is no data available from the U.S. Government's Bureau of Labor Statistics at the city level, only the county level. There is a timing difference between the most recent available data for local housing costs (summer of 2017, with adjustment to recognize local appreciation since then) and local wage rates (2015-2016). An estimate could be made based on the average increases in wage rates in the intervening years; however, those averages would be based on national data rather than changes in Thurston County.



Therefore, because the numbers presented here may understate current income, the numbers for housing affordability may be somewhat pessimistic. Another assumption that is difficult to quantify is how many 2-person households earn the same amount of money. The assumption is that they earn about the same for the following calculations of affordability of 2-person households.

Real People Example: Retail Clerk

The job title “retail clerk” is the single most prevalent job title in Thurston County, with 3,640 out of 109,400 jobs (3.3%). Retail clerk positions share similar job duties and pay with a number of other comparable job titles. The average retail clerk in Thurston County earns \$24,620 per year. A retail clerk is one of the 42 out of 314 job titles (13%), and one of 20,280 jobs out of 109,400 (19%) that cannot afford housing on their own. The average retail clerk earns 83 percent of the necessary income to afford to share the average two-bedroom apartment with another person in the same job title earning the same income. Though certainly vulnerable to rent increases, they may be able to find a rental to share for less than average rent.

It should be noted that, since the time these wage rates were gathered, Wal-Mart Stores has announced that they are raising their wage rates. With two supercenters, and one neighborhood grocery store, Wal-Mart is a major employer of these sorts of positions in Thurston County, so this may take some of the financial pressure off people in this job classification.

The average retail clerk earns 83% of the necessary income to afford to share the average two-bedroom apartment with another person in the same job title earning the same income.



Thurston County Retail Clerks

Average Annual Income:
\$24,620

Percent of Thurston
County Job Market:
3.3%

TABLE 7. Housing Affordability for Retail Clerks in Thurston County

(based on average annual income of \$24,620; \$11.84/hr)

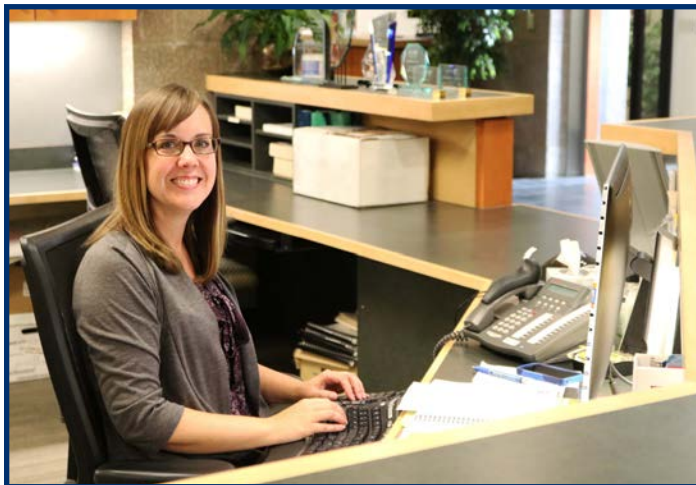
	Existing Home Buyer	1st Time Home Buyer	One-Bedroom Rent	Two-Bedroom Rent (shared)
Alone - percent of housing cost they can afford	34%	34%	62%	N/A
Alone - maximum housing amount they can afford	\$80,000	\$68,000	\$615/mo.	N/A
2 Earners - percent of housing cost they can afford	62%	62%	123%	83%
2 Earners - maximum housing amount they can afford	\$175,500	\$148,000	\$1,231/mo.	\$1,231/mo.

Thurston County Office Clerks

Average Annual Income:
\$33,170

Percent of Thurston
County Job Market:
2.7%

Real People Example: Office Clerk



There are 2,950 positions with the title office clerk in Thurston County, representing 2.7 percent of the 109,400 jobs listed by title. Office clerk is at the lower end of the pay scale of a whole family of office jobs. It is included in this study due to the large number of employees in this family of jobs, which

with increasing skill levels and experience, offers a career path. An office clerk earning the average wage for the position in Thurston County earns 112 percent of the necessary income to share a two-bedroom apartment with another person in the same job category and wage rate. With another earner in the household may be able to purchase a home.

An office clerk earning the average wage for the position in Thurston County earns 112% of the necessary income to share a two-bedroom apartment with someone in the same job category and wage rate.

TABLE 8. Housing Affordability for Office Clerks in Thurston County
(based on average annual income of \$33,170; \$15.95/hr)

	Existing Home Buyer	1st Time Home Buyer	One-Bedroom Rent	Two-Bedroom Rent (shared)
Alone - percent of housing cost they can afford	43%	43%	83%	N/A
Alone - maximum housing amount they can afford	\$120,500	\$105,000	\$829/mo.	N/A
2 Earners - percent of housing cost they can afford	85%	91%	166%	112%
2 Earners - maximum housing amount they can afford	\$245,000	\$225,000	\$1,659/mo.	\$1,659/mo.

Real People Example: Laborer, Freight, Stock, & Materials Mover (Hand)



Lacey, and all of Thurston County, is home to a large number of warehouse and distribution facilities. This continues to grow, particularly in northeast Lacey, with more than 2.5 million square feet either just coming on board, or in development. As with retail and office clerks, there are an array of positions in this field. The most prevalent single job title is

laborer, freight, stock, and materials mover (hand). This is also at the bottom tier of these positions with a career path. While a person earning the average income in this job title would not be able to afford to purchase the average home, or rent the average apartment on his/her own, the worker would have 108 percent of the necessary income to share a two-bedroom rental with another person in the same job with the same income.

As with retail and office clerks, there are an array of positions in this field.

Thurston County Laborer, Freight, Stock, & Materials Movers (Hand)

Average Annual Income:
\$31,940

Percent of Thurston
County Job Market:
1.43%

TABLE 9. Housing Affordability for Laborer, Freight, Stock, & Material Movers in Thurston County
(based on average annual income of \$31,940; \$15.36/hr)

	Existing Home Buyer	1st Time Home Buyer	One-Bedroom Rent	Two-Bedroom Rent (shared)
Alone - percent of housing cost they can afford	38%	41%	80%	N/A
Alone - maximum housing amount they can afford	\$110,000	\$100,000	\$799/mo.	N/A
2 Earners - percent of housing cost they can afford	83%	89%	160%	108%
2 Earners - maximum housing amount they can afford	\$240,000	\$222,000	\$1,597/mo.	\$1,597/mo.

Thurston County
Teachers

Average Annual Income:
\$65,700

Percent of Thurston
County Job Market:
1.1%

Real People Example: Teacher

As with the other positions, the job title of teacher falls into several categories. For these numbers, we are using the average of both middle-school teachers, and elementary-school teachers. There are a variety of specialized, special-education teachers as well as specialties, such as math and science, that earn more.

Combined, middle- and elementary-school teachers account for 1,140 of the 109,400 jobs listed individually in Thurston County (1.1%). Teachers earning an average of \$65,700 may have sufficient earnings to purchase a lower-priced home on their own, or rent on their own (164% of needed income), or rent with another person with similar earnings (223% of needed income). With another earner of similar income, they have sufficient income to afford to purchase a home costing well above the median price.

TABLE 10. Housing Affordability for Teachers in Thurston County
(based on average annual income of \$65,700; \$31.59/hr)

	Existing Home Buyer	1st Time Home Buyer	One- Bedroom Rent	Two- Bedroom Rent (shared)
Alone - percent of housing cost they can afford	83%	91%	164%	N/A
Alone - maximum housing amount they can afford	\$255,000	\$225,000	\$1,643/mo.	N/A
2 Earners - percent of housing cost they can afford	173%	173%	329%	223%
2 Earners - maximum housing amount they can afford	>\$500,000	>\$425,000	\$3,286/mo.	\$3,286/mo.

Teachers earning an average of \$65,700 may have sufficient earnings to purchase a lower-priced home on their own, or rent on their own, or rent with another person with similar earnings.



Real People Example: Registered Nurse

As with the other positions, the job title of nurse falls into several categories. For these numbers, we are using the average of registered nurses. There are a variety of specialized nurses and those who earn more with certifications, night shifts, and years of experience.

Nurses account for 1,740 of the 109,400 jobs listed individually in Thurston County (1.6%). Registered Nurses earning an average of \$70,820 per year may have sufficient earnings to purchase a lower-priced home on their own, and certainly rent on their own (177% of needed income). With another earner of similar income, they have sufficient income to afford to purchase a home costing well above the median price.

Registered Nurses earning an average of \$70,820 per year may have sufficient earnings to purchase a lower-priced home on their own.

Thurston County Nurse

Average Annual Income:
\$70,820

Percent of Thurston County Job Market:
1.6%



TABLE 11. Housing Affordability for Registered Nurses in Thurston County
(based on average annual income of \$70,820; \$34.05/hr)

	Existing Home Buyer	1st Time Home Buyer	One-Bedroom Rent	Two-Bedroom Rent (shared)
Alone - percent of housing cost they can afford	97%	98%	177%	N/A
Alone - maximum housing amount they can afford	\$280,000	\$241,000	\$1,770/mo.	N/A
2 Earners - percent of housing cost they can afford	197%	199%	354%	240%
2 Earners - maximum housing amount they can afford	\$570,000	\$490,000	\$3,541/mo.	\$3,541/mo.

Real People Example: Military - Corporal & Captain

Located just minutes from Joint Base Lewis-McChord (JBLM), the largest military installation in the western U.S., Lacey has long recognized the value JBLM brings to the region. Many soldiers and military families call Lacey their home. Being the second-largest employer in the State of Washington, JBLM provides economic benefits to the South Puget Sound region. In return, Lacey and other surrounding communities enhance the quality of life for military personnel and families by building quality neighborhoods, infrastructure, schools, recreation opportunities, and services.



The Basic Allowance for Housing (BAH), based on geographic duty location, pay grade, and dependency status, is intended to provide uniformed service members housing compensation based on local market housing costs. The 2018 Lacey-area BAH ranged from \$1,374 to \$2,410 a month, which would allow a service member to choose from most of the available housing in the area.

TABLE 12. Housing Affordability for Military - Corporal E-4 in Thurston County

(based on average annual income of \$54,366; which includes \$1,734 housing allowance per month)

	Existing Home Buyer	1st Time Home Buyer	One-Bedroom Rent	Two-Bedroom Rent(shared)
Alone - percent of housing cost they can afford	114%	115%	177%	N/A
Alone - maximum housing amount they can afford	\$349,000	\$315,000	\$1,774 /mo.	N/A
2 Earners - percent of housing cost they can afford	>175%	>175%	355%	241%
2 Earners - maximum housing amount they can afford	>\$500,000	>\$425,000	\$3,548/mo.	\$3,548/mo.

TABLE 13. Housing Affordability for Military - Captain in Thurston County

(based on average annual income of \$97,260; which includes \$2,112 housing allowance per month)

	Existing Home Buyer	1st Time Home Buyer	One-Bedroom Rent	Two-Bedroom Rent (shared)
Alone - percent of housing cost they can afford	138%	140%	211%	N/A
Alone - maximum housing amount they can afford	\$400,000	\$350,000	\$2,112/mo.	N/A
2 Earners - percent of housing cost they can afford	>200%	>200%	422%	286%
2 Earners - maximum housing amount they can afford	>\$600,000	>\$500,000	\$4,224/mo.	\$4,224 /mo.

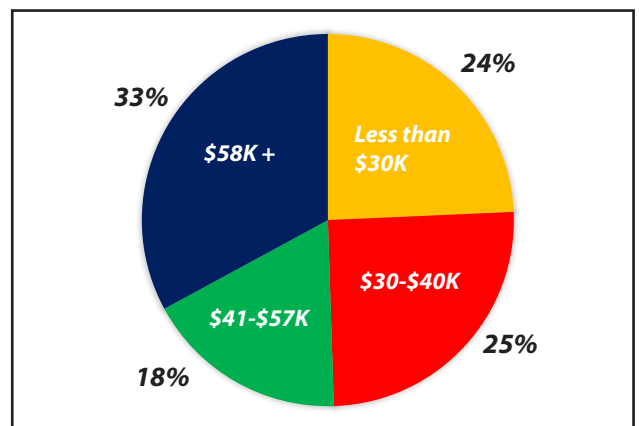
Single-Parent Household with Child(ren)

While the information presented in the income section indicates that teachers, military personnel, and nurses, have sufficient income on their own to afford housing, the other positions profiled, and a number of other lower-paying positions, do not provide enough income to afford housing that would accommodate a single-parent household with no other income earner. Currently, Lacey has approximately 2,207 single-parent households with a child or children: approximately 17.4 percent of households. There is no data available that correlate how many of these single-parent households are employed in the approximately 65,000 positions that pay less than the \$59,000 needed to afford at least a two-bedroom apartment with only one income. There is no data available to address the cost of child care versus any child support, or transfer payments that might help offset these additional housing costs.

Approximately half of single household earners cannot afford a one-bedroom apartment. About two-thirds cannot afford a two-bedroom alone.

Approximately half of single household earners cannot afford a one-bedroom apartment. About two-thirds cannot afford a two-bedroom alone.

FIGURE 6. Percent of Jobs in Thurston County within Different Salary Ranges



Renting versus Home Ownership

Many people choose to rent rather than buy. For some, they prefer the flexibility to move without the need to sell a home, a preference for lack of financial responsibilities for maintenance and repairs, or a lack of certainty about where they want to live. For many, they choose to rent out of financial necessity. The cost, or perceived cost, of home ownership is a barrier.

Down payment assistance programs are available for people who wish to own a home, but are unable to save the traditional 10 to 20 percent down payment. There are also government guaranteed programs, such as FHA, that can help first-time buyers get in with as little as five percent or less down. The Veterans Administration offers up to 100 percent financing for qualified veterans. Buyers may be saddled with debt, perhaps student debt, or have credit issues. There are programs to help potential home buyers work through these issues as well. Prices for housing has out-paced income for a number of years now (Table 14).

TABLE 14. Housing Prices to Income Comparison, Thurston County 2000-2016

	2000	2016	% Increase
Housing Price	\$160,606	\$283,272	76%
Income	\$48,457	\$63,286	31%
% House/Income	331%	448%	35%



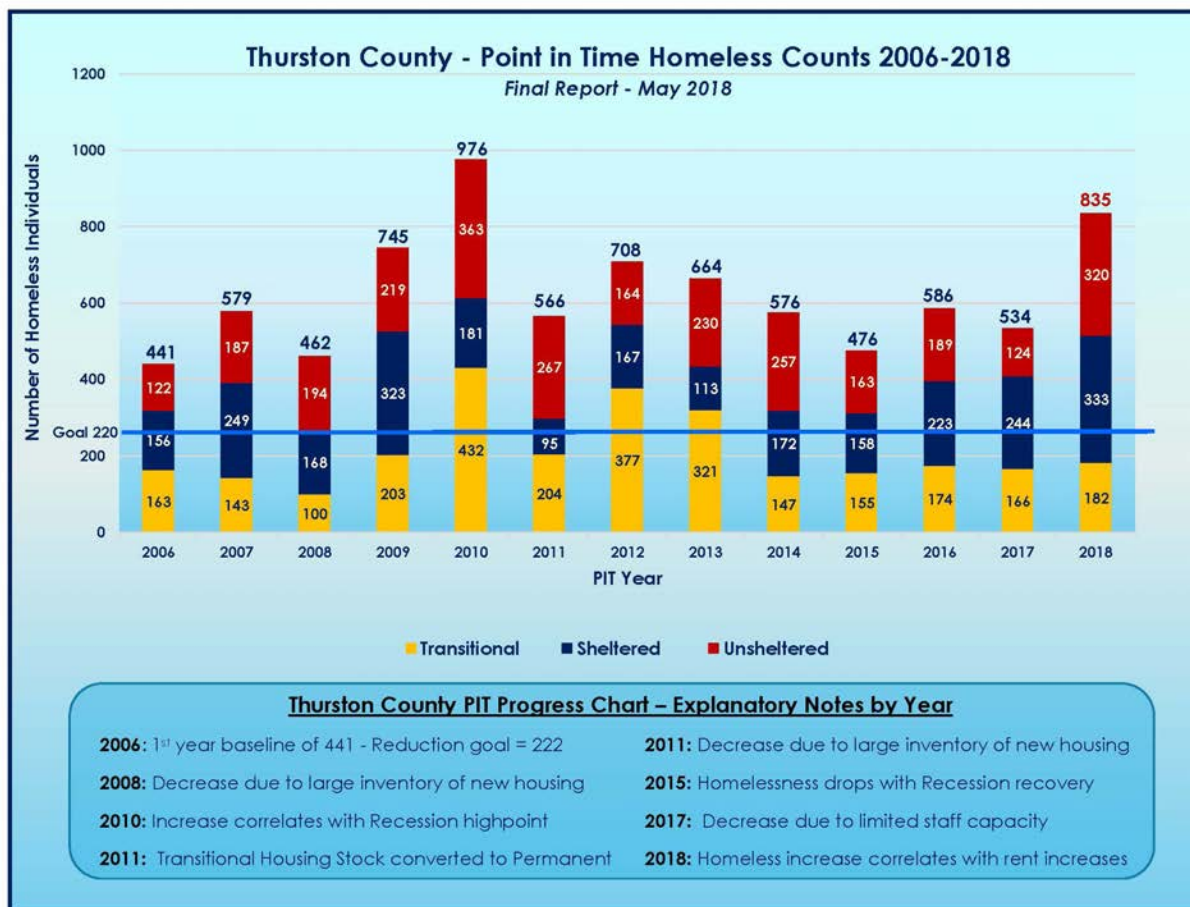
Chapter 3. RESIDENTS WITHOUT PERMANENT HOUSING

Knowing exactly how many residents are without housing is difficult, and understanding the reasons why is even more complicated. Thurston County contracts with the City of Olympia to conduct an annual Thurston County Point in Time (PIT) Homeless Census. The census, conducted since 2006, informs the community about who is homeless and why.

From the most recent PIT Report: ***The 2018 homeless census total of 835 represents an 89 percent increase, or 394 more people than identified in the 2006 census of 441 people. However, this year's results indicate a significant, 15 percent, drop in homelessness from the 2010 all-time high of 976. In spite of this increases, there have been significant accomplishments in strengthening the network of housing, shelter, and homeless services.***

The 835 homeless individuals found in 2018, represents a 56 percent increase or 301 more people since 2017 (Figure 4). This also shows a 89 percent increase from the 2006 baseline of 441 homeless people. The numbers follow the broad economic trends of the past decade: an increase during the recession, a drop during the recovery and most recently, a rise that appears to correlate with sharp rent increases in Thurston County, mirroring West Coast trends (2017 Thurston County Assessment of Fair Housing Report).

FIGURE 7. Thurston County Point in Time Homeless Counts 2006-2018



The Village Story* *The connection between homelessness & affordable housing.*

Once upon a time, there was a small village on the edge of a river. Life in the village was busy. There were people growing food and people teaching the children to make blankets and people making meals.

One day a villager took a break from harvesting food and noticed a baby floating down the river toward the village. She couldn't believe her eyes! She heard crying in the distance and looked downstream to see that two babies had already floated by the village. She looked around at the villagers working nearby. "Does anyone else see the baby?" she asked.

One villager heard the woman, but continued working. "Yes!" yelled a man who had been making soup.

"Oh, this is terrible!" A woman who had been building a campfire shouted, "Look, there are even more upstream!" Indeed, there were three more babies coming around the bend.

"How long have these babies been floating by?" asked another villager. No one knew for sure, but some people thought they might have seen something in the river earlier. They were busy at the time and did not have time to investigate.

They quickly organized themselves to rescue the babies. Resources were used to build watchtowers on both sides of the shore and swimmers were coordinated to maintain shifts of rescue teams that maintained 24-hour surveillance of the river. Ziplines with baskets attached were stretched across the river to get even more babies to safety quickly.

The number of babies floating down the river only seemed to increase. The villagers built orphanages and they taught even more children to make blankets and they increased the amount of food they grew to keep the babies housed, warm, and fed. Life in the village carried on.

Then, one day at a meeting of the Village Council, a villager asked, "But where are all these babies coming from?"

"No one knows," said another villager. "But, I say we organize a team to go upstream and find how these babies are ending up in the river."

Not everyone was in agreement. "But, we need people to help us pull the babies out of the river," said one villager. "That's right!" said another. "And who will be here to cook for them and look after them if a bunch of people go upstream?"

The Council chose to let the village decide.

*If you were a villager, what would your vote be?
Do you send a team upstream?*

Causes of Homelessness

Affordable housing and homelessness go hand in hand. When people outnumber housing, prices go up and those with the fewest resources tend to be the ones displaced. According to the U.S. Conference of Mayors, the top causes of homelessness among families were, in order:

- 1) lack of affordable housing
- 2) unemployment
- 3) poverty
- 4) low wages

The same report found the top five causes of homelessness among single individuals were:

- 1) lack of affordable housing
- 2) unemployment
- 3) poverty
- 4) mental illness and lack of needed services
- 5) substance abuse and lack of needed services.

For women in particular, the number one cause of homelessness is domestic violence.

(U.S. States Conference of Mayors, Hunger and Homelessness Survey Dec. 2014)

If the City is to help solve the homelessness crisis we can work to create more, affordable housing options and facilitate access to support services.

*From the Community Investment Partnership meeting, November 2016.

Key organizations serving Thurston County, providing emergency shelter, transitional housing, and low-income permanent housing*

- Catholic Community Services
- Community Youth Services
- Family Support Center
- Habitat for Humanity
- Homes First
- Housing Authority of Thurston County
- Interfaith Works
- Olympia Union Gospel Mission
- Panza
- SafePlace
- Salvation Army

The following organizations provide rental subsidies and/or support services:

- Senior Services for South Sound
- Community Action Council of Lewis, Mason, and Thurston Counties

*Not an exhaustive list.

Homeless Census

From the 2018 PIT Report: *New this year, City of Olympia conducted two additional efforts to better understand homelessness in the urban hub. Together, these two counts found 763 unsheltered people in the urban hub, far more than the 320 unsheltered people found in the formal PIT Homeless Count. Please note: In an effort to broaden the count to include people who typically refuse to give their names (Please see "Methodology Chapter 9 in PIT Report), the Olympia Counts did not collect names or any additional information. Because of this difference in methodology, these numbers could not be certified as part of the formal PIT Count which is based on the State's PIT Census survey in which names must be collected. Without names, it is not possible to prevent double counting.*

Pre-Dawn Doorway Count *The first Urban Hub Count was the Downtown Pre-Dawn Doorway Count, conducted four times over a six-month period. At 5 am, Census Workers conducted a rapid visual scan of an area roughly nine (9) by eight (8) blocks in the urban hub. On the morning of January 25, 2018, this revealed 135 people camping in the alcoves.*

Camp Census with Homeless Guides *The second methodology involved sending out teams with homeless guides to go into homeless camps throughout the urban hub of Olympia and the nearby parts of Lacey and Tumwater. These teams found a total 628 people living in camps.*

Our region is fortunate to have numerous social service organizations that provide emergency shelter, transitional housing, and low-income permanent housing (see side bar). These organizations already do so much for the region to provide services, yet the demand for their services consistently outstrips the resources they have.



Homeless Students

From the 2018 PIT Report: *Homeless student data from OSPI does not directly correlate with PIT Census data, yet still provides a composite view of homelessness. Together, they mirror a general trend of homelessness in Thurston County rising to an all-time high in 2010 and since then drop until 2014, when the numbers shot up 41 percent. This year, the number is the second highest since beginning this methodology.*

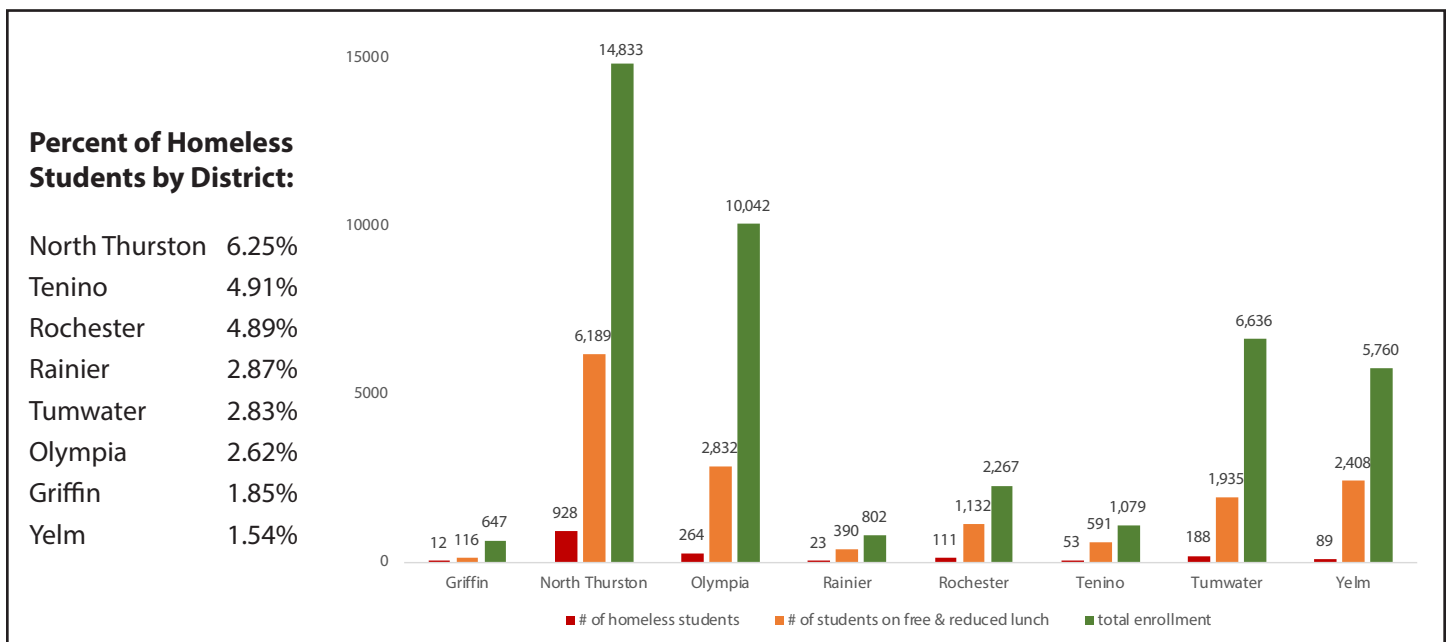
Homeless School Children and the McKinney Act

All Washington state publicly funded schools are required to count homeless students, kindergarten through 12th grade. The federal McKinney-Vento Act declares that homeless school children are also entitled to the protections listed under the section entitled, "Education for Homeless Children and Youths." The Act defines homeless children as "individuals who lack a fixed, regular, and adequate nighttime residence." The act goes on to give examples of children who would fall under this definition:

- Shared Housing families sharing housing due to economic hardship or loss of housing;
- Motels, hotels, trailer parks, or camp grounds due to lack of alternative accommodations;
- Emergency or transitional shelters;
- Awaiting foster care placement;
- Not an intended sleeping area, for example: Cars, parks, public spaces, abandoned buildings, substandard housing, bus or train stations . . ."

Thurston County school districts range in size from the small rural Griffin school district with 647 students to the large North Thurston School District with 14,833 students. However, raw numbers sometimes have less impact on the percentage that certain demographics have on the entire district. While the Rochester School District is one of the smaller districts with only 2,267 or 5.4% of the County's students, nearly 50% of their student body is on free and reduced lunch. Following is some comparative data on the eight different school districts, comparing the total number of students with the number of students who are on free and reduced lunch and those whose families are homeless.

FIGURE 8. Thurston County Students Homeless & Free Lunch by District 2016-2017



Lacey's Homeless Support Services

Lacey's homeless support services focus on families, students, and Veterans.

Lacey Veterans Services Hub

Thurston County is home to nearly 32,000 Veterans including about 6,000 in Lacey. Many of these former military members face difficulties such as poverty, service-related disabilities, and mental health challenges. In response to these challenges, the City of Lacey developed the Lacey Veterans Services Hub, which provides Veterans access to over 50 service providers. In 2018 alone, the Hub provided over 6,500 client appointments including 1,091 for affordable housing and homeless aid. The City has provided \$315,000 to support the program.



Community Development Block Grants

Since the 1990s, the City of Lacey has distributed over \$6.6 million to a variety of local organizations that provide services to low-income and homeless individuals and families. These projects include purchasing affordable housing, repairing low-income housing, providing staffing for local service providers, and more. Table 15 outlines the 2017 grant allocations. The City of Lacey receives an allocation on a rotating basis with the City of Tumwater and Thurston County. The City will receive additional funds in 2020 for distribution and will be able to issue a request for proposals to determine how funds will be distributed.

TABLE 15. 2017 Community Development Block Grant Allocations

Organization	Project	Grant Amount
Evergreen Treatment Services	South Sound Clinic Expansion - Clinic offers treatment for opioid use and mental health support	\$250,000
Housing Authority of Thurston County	Affordable Housing on Golf Club Road and 14th Avenue	\$75,000
Community Youth Services	Transitional housing rehabilitation	\$70,500
Community Action Council	New facilities for Monarch Children's Justice & Advocacy Center	\$187,514
Thurston County Food Bank	Lacey Food Bank	\$200,000
Sidewalk	Veteran Housing Coordinator	\$50,000
Boys and Girls Club	Homeless Youth Assistance	\$33,986

Lacey's Homeless Support Services - cont'd

Lacey Food Bank

Families' access to food is limited if they are paying too much for housing costs. The Thurston County Food Bank (TCFB) has experienced a steady increase in client growth over the last several years. The most recent numbers show that over 11,000 Lacey and Lacey-area residents use TCFB services. Lacey has six satellite food banks operating through collaborative partnerships. However, due to the demand, Lacey needs a permanent, full-service food bank. The TCFB's new location on Martin Way will serve 1,200 children from low-income families who live within three miles of the new site. The final build will include a therapy garden for Veterans facilitated by GRUB, a farm stand providing access to fresh produce, and a 10,000 square foot food bank. The City of Lacey provided \$200,000 in Community Development Block Grants and assisted in securing an additional \$750,000 in State funding for the new Lacey site.

Habitat for Humanity

In 2005, the City of Lacey passed an ordinance creating a policy to waive building, plumbing, electrical, and mechanical permit fees, and, water meter, water construction, traffic mitigation, and plan check fees for the Habitat for Humanity. This waiver allowed Habitat to begin construction of the Deyoe Vista neighborhood – a 33-home, affordable-housing development. This lowers the cash barriers to home purchasing. The project is well underway and the neighborhood is expected to be complete in 2020.

Playground Pals

Since 1994, the City has partnered with North Thurston Public Schools to provide a free, summer-lunch program for low-income children, ages 2 to 12 years old. Lacey Parks & Recreation staff provide playground supervision, structured play, and organized activities including arts & crafts, games, fitness, water activities, and even a summer reading program. In 2018, the program provided 10,000 lunches to local children.



Local Faith Leaders

The City of Lacey convened a Faith Leaders Forum to bring together Lacey-area faith leaders to discuss opportunities to work together to better the Lacey community. A smaller steering committee meets on an on-going basis to continue discussing strategies to address homelessness.

Spotlight: Community Action Council of Lewis, Mason, & Thurston Counties

The Community Action Council of Lewis, Mason, and Thurston Counties (CACCLMT), a non-profit organization, provides assistance with housing, health, and hunger. In 2017, CACCLMT offered support for more than 8,880 families living in our communities, helping more than 22,000 individuals move toward self-sufficiency. The CACCLMT provides an array of services for housing including: energy assistance, weatherization, basic essential needs, affordable housing, and utility assistance.

Community Vision

Lacey includes a broad choice of housing types at a range of prices, including affordable homes in diverse, safe settings that maintain a high quality of life.

Chapter 4.

LOOKING AHEAD

2016 Comprehensive Plan Economic Forecasts

Lacey's 2016 Comprehensive Plan describes forecasted job growth and anticipated housing needs:

Economic forecasts for the Comprehensive Plan planning period (2016-2035) indicate an increase of 60,000 jobs in Thurston County with 13,700 jobs in Lacey alone. Job growth will add to the need of accommodating 27,490 additional people within our Urban Growth Area (UGA). The increased number of jobs will add workers who need housing for their families. It is projected that a total of 12,220 new homes will be needed in the UGA during the next twenty years. With the continued cost of housing increasing in the Central Puget Sound region, the number of people relocating to our area and commuting to jobs is also expected to increase housing needs.

*Economic forecasts for the ...
(2016-2035)
planning period indicate
an increase of 60,000 jobs in
Thurston County with
13,700 jobs in Lacey alone.*

*It is projected that a
total of 12,220 new homes
will be needed in the UGA
during the next twenty years.*

Looking ahead, by 2035 it is estimated that the Lacey community will have a population of 107,720. Of that, 53,090 will be within the city limits, with the remainder - more than half - in the UGA. Demographically, Lacey, along with the rest of the nation, will grow a little older, and more ethnically diverse. Education attainment will likely

remain as a strength. Education achievement may actually improve as legislative actions in response to court cases, and voter initiatives to better fund public schools and reduce class sizes, are implemented. Given Lacey's significant growth in both land area and population over the last twenty years, the continuing growth that the City will experience over the next twenty years will begin to be characterized by more redevelopment of existing, underutilized sites, and less new development of greenfield sites.



2016 Comprehensive Plan Economic Forecasts – cont’d

Nearly 40% of the new jobs forecast to be created in Lacey in the next twenty years are concentrated in three sectors that are often lower paying, and that offer few fringe benefits to employees. These include Personal and Repair Services, Food Service and Accommodations, and Retail Trade. Manufacturing jobs, which typically have the highest economic impact, are forecast to grow by only 90 positions by 2035. As a result, a focus of the Economic Development Element is on job recruitment for employers that provide living wages so Lacey residents can work in the community where they live.

... a focus of the Economic Development Element (of the Comprehensive Plan) is on job recruitment for employers that provide living wages so Lacey residents can work in the community where they live.



Household Size in Lacey

Most households in Lacey consist of 1-2 people which influences current and future housing needs. Thurston Regional Planning Council reports the following statistics about Lacey households:

- 63% - 1 or 2 people
- 20% - Married couple with children
- 17% - Single parent with children

Chapter 5.

PROGRAMS SUPPORTING AFFORDABLE HOUSING

Current Programs

The City supports a variety of programs that help residents find and maintain an affordable place to live.

Although the City of Lacey does not directly develop housing, it endeavors to create an environment where development of new housing is enticing to the development community and protects residents' interests.

The City has the programs listed in Tables 16, 17, and 18 that encourage and promote affordable housing.



Current Programs - cont'd

TABLE 16. Existing Programs Summary: Assistance to Residents

	Income Level Served	Units Provided/ Households Served
Utility Discount – the City offers a 50% discount on water, sewer, and storm-water utility services for customers who qualify as low income and disabled or low income and over 62.	Low Income	In 2018, the City provided 283 utility customers with a discount, which make up a little over 1% of total utility customers.
No utility connection fee for Accessory Dwelling Units (ADU)	All Incomes	1-2 ADUs have been permitted per year on average.



Current Programs - cont'd

TABLE 17. Existing Programs Summary: Direct and Indirect Support to Public and Private Developers

	Income Level Served	Units Provided/Households Served
Reserve at Lacey – reuse of former Albertson's to include apartments and retail in transportation-efficient location. Financed through HUD.	Moderate Income - Seniors	241 Units (Construction begins 2019)
HUB Apartments - infill site, new construction in Woodland District to provide units to students at St. Martins. Using Form Based Code and multi-family housing tax exemption.	Market-Rate Apartments targeted for Students	345 Units in 3 Buildings (First building 2019)
Community Development Block Grant (CBDG) supported: - Housing Authority of Thurston County with funds to demolish two housing sites in preparation for construction of two new triplexes. - Community Youth Services to help them rehabilitate transitional housing properties for youth. - Sidewalk public service program providing Veterans housing coordinator services	Low Income	Housing Authority - 6 Units CYS - 3 Properties
Community Investment Partnership (CIP) supported: - Housing Authority of Thurston County in construction of two triplexes - Foundation for the Challenged to acquire and rehab a single-family home serving developmentally disabled adults - Homes First to acquire, rehab, and rent single family houses	Very Low and Low Income	3-Bedroom House
Multi-Family Housing Property Tax Exemption for Woodland District - Provide limited, eight- or twelve-year exemptions from ad valorem property taxation for qualified new multi-family housing located in designated residential targeted areas. Participation in program is voluntary. Requires 20% set aside for affordable units for duration of exemption.	Market Rate and Incentives for Low-Income	None. Implemented in 2014.
Fee waivers for Habitat for Humanity and Boys and Girls Club Projects. The City Manager is authorized to waive fees for: water meters, construction water, building permit, mechanical permit, plumbing permit, electrical permit, plan checks, and transportation mitigation.	Low Income	Implemented in 2009

Current Programs - cont'd

TABLE 18. Existing Programs Summary: City Regulations & Incentives Encouraging Development of Affordable Housing

No maximum density requirements for High-Density Residential Zoning
Multifamily requirement - in High Density Residential Zoned areas all parcels over ten acres in size shall provide a mix of housing types with no less than fifty percent of the units designated for multifamily use
Flexible Accessory Dwelling Units Codes – provides clear design guidelines and flexible requirements and are allowed in all residential neighborhoods
Transfer of Development Rights Program – allows owners of property in the Long-term Agriculture zoning district (Sending Area) to gain credit for unused development rights that can be sold and transferred to another property in an urban area (Receiving Area). Lacey offers density bonuses on Receiving sites.
Reduced fees for affordable, single-family homes (under 1,500 sq. ft.) and manufactured homes.
Relatively fast and predictable permit review and processing times.
Parking requirements are defined in code, but flexible based on occupancy and types of units being built.
Lacey’s has lower development fees than the surrounding communities.



Chapter 6. WHAT MORE CAN LACEY DO?

The low vacancy rates for rentals and low housing inventory on the market say a lot. The region is in a housing deficit. There are simply not enough units for all the people who live here. Despite current programs, investments, and incentives to build more, the demand from in-migration and job growth is still outstripping the supply and driving up prices. About 67 percent of the housing stock in Lacey is single-family residential. To accommodate

*Plain and simple,
we need more inventory.*

the growing demand, we should be building more of all types, but especially high-density housing options like townhouses, accessory dwelling units, duplexes, triplexes, tiny homes, condominiums, and multi-family buildings.

Lacey needs more subsidized housing, but also more market-rate housing construction, even high-end construction, to ease competition between high- and low-income renters for the same apartments, slow rapid price increases, and give housing subsidies a chance to fill the remaining gap. Plain and simple, we need more inventory.

*There are simply
not enough units
for all the people
who live here.*

The City has laid out six key policies that are overarching to any actions we will implement. Any actions we take will stay within the City's means and reserves so the city does not leverage resources to the extent that other basic services we are required to provide to the community are reduced.



Policies

POLICY 1. Help People Stay in Affordable Housing

People experience a loss in their affordable housing for a variety of reasons, such as redevelopment or rent increases beyond their ability to pay. Comparable affordable housing may not be available in Lacey. Lower income and fixed-income people, especially seniors, who have owned their homes for a long time but can no longer afford to live there because of increased costs (e.g. maintenance, taxes, and utilities) may be unable to find an affordable alternative that allows them to remain in their communities. This strategy would focus on helping low-income peoples stay in their home or apartment.

POLICY 2. Create a Variety of Housing Choices

Considering Lacey's current housing inventory and Comprehensive Plan goals for walkability, there is a huge opportunity to create gentle densification for more types of housing such as duplexes, triplexes, cottages, courtyard apartments, townhouses, and multi-family apartment buildings. Diversity in housing sizes and types, cost, accessibility, geographic location, and cultural options can provide for diverse individual housing needs at all stages of life, help ensure new residents are welcomed, and ensure long-term residents can stay in Lacey. This strategy would focus on zoning changes to allow for more housing types in more places.



Policies - cont'd

POLICY 3. Create More Affordable Housing

Lacey needs more affordable housing for individuals and families large and small, young and old. As a local government, two important ways the city can influence affordable housing production are through its regulations and prioritizing use of public lands for affordable housing. This strategy would focus on the city's regulatory authority to support development of affordable housing and on opportunities to use public lands for housing development.

POLICY 4. Make it Easier to Build All Types of Housing

As long as Lacey remains an attractive place to live and work, demand for housing will continue to grow. To the extent that demand is high and supply is not able to keep up, housing prices will continue to rise and affordability will decrease. This strategy focuses on actions to help increase the total amount of housing available in Lacey to better meet market demand and, in so doing, relieve pressure on the overall cost of housing.



POLICY 5. Prioritize Federal, State, and Local Funding for Housing

Federal, state, and local funding has not kept pace with the cost of providing affordable housing and additional funding sources are critical to meet the growing need. The focus of this strategy is to continue to support and expand the types and amounts of funding available to support affordable housing. This would establish a higher sustained level of funding in order to fully implement Lacey's affordable housing strategy and direct funds to non-profits building or purchasing units.



POLICY 6. Continue Supporting Homeless Services Regionally

This strategy focuses on supporting and bolstering existing organizations and programs that assist homeless individuals, families, and students in a coordinated way with the County, and neighboring cities.

How will we implement these policies?

The City developed a list of potential actions to implement these policies. We have not prioritized the actions (i.e. Action 1 is not necessarily the first action the City will take or the first priority), but will implement them as opportunities arise and/or funding becomes available. (The City has already started working on some Actions.) In addition, we will analyze all actions prior to implementation.

POLICY

ANALYSIS

ACTION

Potential Actions

ACTION 1. Cut or Reduce Fees for Nonprofits Building Affordable and Low-Income Housing

Since non-profit builders are unable to pass development cost onto their tenants, the City could waive the fees for utility connections, permit processing, traffic mitigation, etc. to create an incentive and reduce development costs (for non-profit developers building affordable units). Currently, the City applies these waivers to Habitat for Humanity and the Boys and Girls Club. However, this could be applied to all non-profit, housing-development organizations.

RELATED POLICIES:

Policy 3: Create More Affordable Housing

Policy 4: Make it Easier to Build All Types of Housing

TABLE 19. Action 1: Cut or Reduce Fees for Nonprofits Building Affordable and Low-Income Housing

Advantages	Disadvantages	Implementation Steps
Reduces development costs	Loss of revenue to Utilities	Text amendment to Lacey Municipal Code (in process)
More, affordable units will be built	Plans will need to be amended to address potential changes to the capital program and financial plan.	

Potential Actions - cont'd

ACTION 2. Expand Multi-Family Tax Exemption to More Parts of the City

Expanding the tax exemption allows cities to exempt multi-family housing from property taxes in urban centers with insufficient residential opportunities. In this program, the city defines a residential target area or areas within an urban center. Approved project sites are exempt from ad valorem property taxation on the residential improvement value for a period of 8 or 12 years. The 12-year exemption requires the development to include a minimum 20 percent affordable housing. The 8-year exemption leaves the public benefit requirement to the jurisdiction’s discretion and carries no affordable housing requirement. Lacey would expand this tax exemption to the Martin Way corridor and the Depot District. The City could also extend the exemption timeframes.

RELATED POLICIES:

- Policy 3: Create More Affordable Housing
- Policy 4: Make it Easier to Build All Types of Housing
- Policy 5: Prioritize Federal, State, and Local Funding for Housing

TABLE 20. Action 2: Expand Mult-Family Tax Exemption to More Parts of the City

Advantages	Disadvantages	Implementation Steps
More, affordable units will be built	Affordable units capped at only 20% of the project	Text amendment to Lacey Municipal Code
Targets residential development where services exist	Must negotiate with taxing districts before development occurs	
	Taxing districts have to provide service but wait for 8-12 years for revenue	



Potential Actions - cont'd

ACTION 3. Provide City-Owned Land to Nonprofits to Build Units

Public agencies, such as government, transit agencies and special districts, often own property that is no longer useful for its original purpose, or is ideally situated for shared public and private uses. The City would like to create a partnership with non-profit housing developers to reduce the cost of building affordable homes by eliminating the cost of land through a long-term low-cost lease.

RELATED POLICIES:

Policy 3: Create More Affordable Housing

TABLE 21. Action 3: Provide City-Owned Land to Nonprofits to Build Units

Advantages	Disadvantages	Implementation Steps
Reduces development costs	Limited number of public properties	Develop list of City-owned properties
Integrates affordable units into neighborhoods	Not all available properties are suited for housing development	Screen for development suitability
Can direct units with population we're trying to serve, like North Thurston Public Schools families	Few units produced	Create agreement with nonprofit developer for long-term cost lease

ACTION 4. Use County Recording Fees to Support Homeless Services (\$10 per recording) RCW 43.185C.080

A small portion of County recording fees goes to support homeless services due to ESS HB 1570. The city has not taken advantage of those funds, estimated at \$300,000-\$350,000 annually. To access these funds, the City must develop a homelessness plan and provide an annual report on use of funds.

RELATED POLICIES:

Policy 6: Continue Supporting Homeless Services Regionally

TABLE 22. Action 4: Use County Recording Fees to Support Homeless Services

Advantages	Disadvantages	Implementation Steps
New revenue stream	City does not have direct homeless services programs	Develop homelessness plan or adopt County's plan
Gives Council ability to direct funds where they see a need	Amount of funds not predictable annually	Create project list or list of program to direct funds to
	Reduces funds available for existing regional services	Request funds

Potential Actions - cont'd

ACTION 5. Set Aside a Higher Percentage of City's Budget for Social Services

Currently, the City sets aside 0.5% of its annual budget for social services. United Way of Thurston County, Thurston County Health and Human Services, and the Cities of Lacey, Olympia, and Tumwater created the Community Investment Partnership (CIP). The CIP members work together and join resources to address common needs in meeting basic health and human service needs in the Thurston County Region. The CIP solicits proposals to fund \$630,000 (projected 2017 amount) in projects. The priority for use of these funds is for programs that increase educational success and resiliency of at-risk children and families and programs that meet the basic needs of at-risk populations. As an alternative to using the CIP budget line item, the City could create additional budget items the same way it funds the Veterans Hub, Senior Center, GRUB, Together!, and other special projects. This which would allow the City to direct funds as it saw fit, rather than a large pool of funds distributed like the CIP.



RELATED POLICIES:

Policy 1: Help People Stay in Affordable Housing

Policy 3: Create More Affordable Housing

Policy 5: Prioritize Federal, State, and Local Funding for Housing

Policy 6: Continue Supporting Homeless Services Regionally

TABLE 23. Action 5: Set Aside a Higher Percentage of City's Budget for Social Services

Advantages	Disadvantages	Implementation Steps
Framework already in place for the CIP, this would just provide more funds for it	Uncertain revenue source. Could reduce other City program budgets	Recommend to City Council during budget development
	City cannot direct funds to city-specific projects because CIP members determine how to spend funds	Determine revenue source or resource reduction elsewhere

Potential Actions - cont'd

ACTION 6. Reduce Fees for Private-Sector Development of Affordable Homes & Units

Just as the City could waive or reduce fees for non-profits, the City could extend this to private sector as well, but with a caveat that a certain percent of affordable homes and units be built as part of the project or fees waived only for those units dedicated as low income. (The City would likely put a cap on the number of units per year and/or per project.) The City could facilitate partnerships with nonprofits to manage and track the affordable units.



RELATED POLICIES:

Policy 3: Create More Affordable Housing

Policy 4: Make it Easier to Build All Types of Housing

TABLE 24. Action 6: Reduce Fees for Private-Sector Development of Affordable Homes & Units

Advantages	Disadvantages	Implementation Steps
More, affordable units will be built	Loss of revenue from fees	Determine which fees, taxes, etc, to reduce or waive
Units would be tracked and managed	Administration of units	Text amendment to Lacey Municipal Code
		Facilitate non-profit partners and developers on a project basis

ACTION 7. Reduce Minimum Lot Size Requirements & Increase Zoning-Density Minimums

Reducing minimum lot sizes, lot widths, and density minimums will help increase density in older, central neighborhoods, which are near utilities, transit lines, services, and jobs. Currently the lowest density zoning is 0-4 dwelling units per acre. This is primarily in the older, established neighborhoods, but also in the Urban Growth Area, with very few vacant parcels left. For example, this would allow for more duplexes in low-density neighborhoods.

RELATED POLICIES:

Policy 2: Create a Variety of Housing Choices

Policy 4: Make it Easier to Build All Types of Housing

TABLE 25. Action 7: Reduce Minimum Lot Size Requirements & Increase Zoning-Density Minimums

Advantages	Disadvantages	Implementation Steps
More lots available for development	Residents may not support in neighborhoods	Text amendment to Lacey Municipal Code
Encourages redevelopment of low-density areas	Affordable units not guaranteed	Community involvement in affected neighborhoods

Potential Actions - cont'd

ACTION 8. Update Codes to Support Temporary Housing

Current codes will be expanded to allow nonprofits or faith-based organizations to host small encampments, tiny home villages, or other types of monitored, supportive housing meant for temporary occupancy with social services available. There is a high need for supportive housing of all types, where case management and other services are available.

RELATED POLICIES:

- Policy 2: Create a Variety of Housing Choices
- Policy 6: Support Homeless Services Regionally

TABLE 26. Action 8: Update Codes to Support Temporary Housing

Advantages	Disadvantages	Implementation Steps
More, transitional housing will be built	Neighbors may not support	Text amendment to Lacey Municipal Code
Sites will be dispersed and small scale	Infrastructure needed	Community involvement



ACTION 9. Require New Low-Income Rentals to Remain Low Income When Combined with Fee Reductions

With protective covenants and deed restrictions, homes can stay affordable. This is accomplished when organizations record a deed covenant on the rental property with a long-term affordability period. Some Community Land Trusts protect the ongoing affordability of rental units by also retaining ownership of the land under these rental unit(s). A partnership with a nonprofit to manage would be necessary. Home ownership that stays affordable is possible through numerous mechanisms, but is not being proposed at this time.

RELATED POLICIES:

- Policy 1: Help People Stay in Affordable Housing

TABLE 27. Action 9: Require New Low-Income Rentals to Remain Low Income When Combined with Fee Reductions

Advantages	Disadvantages	Implementation Steps
A supply of units will be available	Administration requirements	Determine which program(s) to connect to - MFTE, private development with fee waivers
	Would apply to new developments only	

Potential Actions - cont'd

ACTION 10. Further Streamline Accessory Dwelling Unit (ADU) Permitting

Currently, if a property owner wants to build an ADU or “backyard cottage,” they would have to pay a designer to draft plans that meet building codes and design standards. The City could pay for and then provide, free, up to four pre-approved site plans to those interested in building ADUs. These will provide more housing options in neighborhoods with larger lots to gently densify existing neighborhoods.

To facilitate financing, the City could partner with a financial institution to assist property owners in financing their ADU. The City-sponsored program would promote ADU development by providing easy access to financing, plans, and builders.



RELATED POLICIES:

Policy 2: Create a Variety of Housing Choices

Policy 4: Make it Easier to Build All Types of Housing

TABLE 28. Action 10: Further Streamline Accessory Dwelling Unit (ADU) Permitting

Advantages	Disadvantages	Implementation Steps
Increases housing choices	No guarantee ADU will be affordable	Solicit proposals from designers and choose up to 4
Preserves existing neighborhood scale and form	Not a strong market for ADUs in Lacey because few large lots exist	City inspector approve designs
Reduces development costs and produces revenue for homeowners		Make available online and in hard copy
Pre-approved financing		Create partnership with financial institution(s)

Potential Actions - cont'd

ACTION 11. Require Inclusionary Zoning in Designated Areas

Inclusionary zoning requires a certain percentage of a development, whether multi-family apartments or new subdivision, be set aside for affordable housing. Many issues associated with inclusionary zoning would need to be coordinated with non-profit partners for tracking and managing new affordable units. This voluntary program for set asides will also need to be coupled with incentives such as fee reductions so projects are feasible for developers. State law (RCW 36.70A.540) provides authority for Growth Management Act (GMA) cities and counties to establish mandatory requirements for the inclusion of affordable housing under certain circumstances; see also WAC 365-196-870(2). That statute allows a GMA city or county to require a minimum number of affordable housing units that must be provided by all residential developments in areas where the city or county decides to increase residential capacity (in other words, in areas it decides to upzone).

Before establishing such a requirement, a city or county must determine that a zone change would further local growth management and housing policies.

RELATED POLICIES:

Policy 3: Create More Affordable Housing

TABLE 29. Action 11: Require Inclusionary Zoning in Designated Areas

Advantages	Disadvantages	Implementation Steps
More, affordable units will be built	Administration and oversight of units	Determine minimum percentage of units, targeted income range, time period to remain affordable, and geographic scope
	Lost fee revenue	
	Not well-received by private sector	
	Competes with other priorities for mixed-use and infill housing.	

Potential Actions - cont'd

ACTION 12. Support a Regional Approach to a Housing Levy

Counties and cities may impose additional regular property tax levies up to \$0.50 per thousand dollars assessed valuation each year for up to ten years to finance affordable housing for very low-income when specifically authorized to do so by a majority of voters of the taxing district (RCW 84.52.105). A non-profit advocacy group called the Home Fund originally envisioned a housing levy generated through a property tax increase to Olympia, Lacey, and Tumwater in hopes that the city council will put a housing-related ballot measure before the voters 2017. The City of Olympia was the only participating City and did pass the measure in 2017. The city will collect an estimated \$774,000 over the course of four months in 2018, and \$2.3 million per year in the years following. Supporting a regional approach where Lacey and Tumwater participated would increase funding to help work on this regional problem.

RELATED POLICIES:

Policy 5: Prioritize Federal, State, and Local Funding for Housing

TABLE 30. Action 12: Support a Regional Approach to a Housing Levy

Advantages	Disadvantages	Implementation Steps
Creates a steady funding stream	Needs to be regionally approved at the ballot	Gain support from all jurisdictions
Sales tax would bring in regional revenue	Additional tax	
	Need strategy and plans to manage funds	



6. WHAT MORE CAN LACEY DO?

ACTION 13. Infrastructure Investment for Infill Areas Needing Upgrades

The Comprehensive Plan describes where the City expects, and is trying to direct, growth over the next twenty years. The private sector has traditionally done utility extension and upgrades as areas grow. For infill development, the City could invest to promote development in areas where new housing is desired, but upgrades to infrastructure, such as utilities and sidewalks, would be needed to support it.

RELATED POLICIES:

Policy 4: Make it Easier to Build All Types of Housing

Policy 5: Prioritize Federal, State, and Local Funding for Housing

TABLE 31. Action 13: Infrastructure Investment for Infill Areas Needing Upgrades

Advantages	Disadvantages	Implementation Steps
City could direct improvements where it would like to see development	Need to refocus Capital Facilities Plan development processes	Amend Comprehensive Plan Amend Utility Plans for priorities
Attract private development with public investments - public/private partnerships	Changes existing City investment priorities	

ACTION 14. Support Legislative Initiatives that Encourage Development of Affordable Housing

This action directs the City to advocate for legislative actions on the local, state, and federal level. One example of an ongoing advocacy effort is condominium liability reform. The City and private-sector partners are working with the Washington State Legislature on reform that aims to reduce risks for condominium developers while maintaining consumer protections. Our region needs more condominiums to fill a gap in home ownership choices that are affordable and at a higher density.

RELATED POLICIES:

This Action supports Policies 1-6

TABLE 32. Action 14: Support Legislative Initiatives that Encourage Development of Affordable Housing

Advantages	Disadvantages	Implementation Steps
State level support for local efforts	No guarantee of legislation passing or funding being provided	Coordinate with interest groups
Potential funding sources		Include position in legislative agenda for Council's consideration
Partners strengthen message and need for action		Council endorses position
		Work with other advocates to pass legislation

Implementing the Actions

After receiving input from key community stakeholders, the City Council held a joint work session with the Planning Commission on February 7, 2019, to prioritize the potential actions. Several actions were already in progress, many were designated as a priority to pursue in the short term, and a few were considered important, but on hold until an opportunity arises to implement them. This chart lists the actions by category and indicates when they will be implemented.

TABLE 33. Implementing the Actions

	Already in Process	Priority to Implement	On Hold Until Opportunity Arises
Financial Incentives			
Reduce fees for nonprofits building affordable housing	X		
Expand multi-family tax exemption			X
Reduce fees for private sector building low-income housing that remains low income, in perpetuity (combined Actions 6, 9, & 11)		X	
Provide pre-approved ADU design plans	X		
Zoning Changes			
Reduce minimum lot size, site-design requirements, density		X	
Update codes to support all types of temporary housing		X	
Funding/Investment			
Provide city-owned property to nonprofits to build units	X		
Use County recording fees for supporting homeless services			X
Set aside higher percentage of City's General Fund for social services (currently 0.5%)	X		
Support regional approach to housing levy			X
City-funded infrastructure investment for infill areas needing upgrades		X	
Advocate at Local, State, and Federal Level			
Support any legislation, program, funding, etc. that supports our housing strategy	X		

Monitoring and Measuring Progress

Homelessness and affordable housing issues are complex and intertwined—and so are the solutions. Since this is a regional issue, Lacey actively collaborates with its neighbors, the Cities of Olympia and Tumwater, and Thurston County.

The City will review the housing and wage data in this document, annually, to measure change and monitor progress. We will track our actions and efforts and share progress with our partners and the community. In addition, we will supply data, as needed, for use in countywide goals and targets set by the Thurston Thrives Coordinating Council and Housing Action Team.

Appendix A

January 2019 CONNECTION FEE SCHEDULE

WATER				
<i>Meter Size</i>	<i>GFC</i>	<i>Tap (tap only)</i>	<i>Drop (meter only)</i>	<i>GFC Meter (no tap)</i>
5/8"	\$7,292.00	\$867.00	\$414.00	\$7,706.00
1"	\$14,612.00	\$917.00	\$644.00	\$15,256.00
1-1/2"	\$29,099.00	\$1,100.00	\$1,127.00	\$30,226.00
2"	\$47,524.00	\$1,917.00	\$1,834.00	\$49,358.00
3"	\$89,659.00		Cost + 15%	
4"	\$149,434.00		Cost + 15%	
6"	\$298,560.00		Cost + 15%	

(Note: Storm Water Facility Charge, fees are based on residential/commercial, annexation date, and size of property (acreage). Estimate increases \$5.20 per acre, per month.)

SEWER	
LOTT Capital Development Charge	\$6,049.21 (per ERU)
Sewer General Facility Charge	\$3,722.00 (per ERU)

MISCELLANEOUS	
Sewer Front Footage	\$94.41/L.F.
Water Front Footage	\$60.10/L.F.
Construction Water	Not Applicable
ROW Access Permit	\$196.00
STEP inspection	\$386.00

The above listed charges do not reflect Latecomers Fees. Latecomers may apply to any parcel.

- One (1) Equivalent Residential Unit (E.R.U.) equals 900 cubic feet of water per month.
- Storm Water charges do not apply in the County.
- If property is in the County, depending on locations of mains boring may be required.
- If outside of the City limits (County) but within the Growth Boundary a "Special Power of Attorney for Annexation" will need to be filled out and recorded.
- City ROW (Right-of-Way) access permit charges apply only within the City Limits and when contractors are performing the work within the ROW. When working in Thurston County, please check with the County to verify if a ROW permit is required.

Acreage = 43,560 sq. ft./acre

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Appendix B

Housing Purchase Cost Assumptions

Existing Home Buyer		First-Time Buyer	
Purchase Price	\$289,619 (1)	Purchase Price	\$246,176 (3)
Less Down Payment @ 20%	\$ 57,924	Less Down Payment @ 10%	\$ 24,618 (4)
Mortgage Amount	\$231,695	Mortgage Amount	\$221,559
Monthly Costs		Monthly Costs	
Principle & Interest	\$ 1,209 (2)	Principle & Interest	\$ 1,156
Taxes & Insurance	\$ 316	Taxes & Insurance	\$ 276
Private Mortgage Insurance	\$ 0	Private Mortgage Insurance	\$ 79 (5)
Total	\$ 1,525	Total	\$ 1,511
Income needed to purchase this house	\$ 73,200 (6)	Income needed to purchase this house	\$ 72,528 (6)

Notes:

- (1) According to Trulia, the median house price in Lacey, June 2018: \$289,619. Existing home buyer purchase price estimated at median home price
- (2) Based on 30-year mortgage at 4.5% interest
- (3) Purchase price for first-time buyer estimated at 85% of median home price
- (4) First-time home-buyer calculated based on only 10% down
- (5) A down payment of less than 20% requires private mortgage insurance (PMI)
- (6) Required income based on 25% of income going to cover house payment

