



Affordable Housing Development Incentives

The City of Olympia recognizes affordable housing is a critical need in our community. Ways in which the City is working to achieve affordable housing for its residents are identified in the City's [Housing Action Plan](#). Below are summaries of the City's programs established to encourage affordable housing development. In most cases, developers will be eligible for multiple incentives.

FINANCIAL INCENTIVES

Multi-Family Tax Exemption Program

Summary: The City offers a property tax exemption when new residential units are created within a Multi-Family Tax Exemption target area. The MFTE program doesn't give a developer any money directly; it merely exempts a portion of the increase in assessed value of the property from taxation for either 8, 12 or 20 years. The Thurston County Assessor determines the amount to exempt based on the improvement created through new residential construction or rehabilitation.

The MFTE program is active in the following target areas. Select an area to view a corresponding map:

- [Downtown](#)
- [East Olympia](#)
- [West Olympia](#)
- [3900 Boulevard Road SE](#) neighborhood center
- [18th Avenue and Fones Road](#) neighborhood center
- [Division Street and 20th Avenue](#) neighborhood center
- [San Francisco Avenue and Bethel Street](#) neighborhood center

MFTE program options

8-year: This option is for multi-family, market rate properties. A fee in lieu of creating affordable units is assessed. The fee is 5% of the total anticipated property tax exemption for projects occurring in the downtown and east Olympia MFTE target areas. The fee is 25% of the total anticipated property tax exemption for projects occurring in the west Olympia target area. The fee does not apply to the four neighborhood centers at this time. Half of the fee in lieu is due when the property owner and the City execute a contractual agreement permitting the development to participate in the 8-year MFTE option. The other half of the fee is due prior to the issuance of the Certificate of Occupancy.

12-year: This option is designed for affordable, multi-family projects in which 100% of residential units are rented to low- or moderate-income families whose income does not exceed 80% of area median income by household size.

20-year: This option is designed for non-profit developers creating new homeownership units that are sold to households whose income does not exceed 80% of area median income by household size. The property tax exemption is experienced by the homeowner rather than the developer.

Eligibility

To be eligible for the MFTE program the applicant must be the property owner, construction must be completed within three years of when the City approves the project to participate in the program, the owner must enter into an agreement with the City regarding program requirements, the project must be located in one of the target areas identified by the City, the project must create or rehabilitate at least four new/additional residential units, and no existing residential tenant may be displaced.

Process: This exemption can be requested by the developer during the permitting process. More information can be found at [OMC 5.86.10](#) or on the City's [MFTE webpage](#). Exemptions must be requested and approved and all fees paid before a certificate of occupancy is issued. Contact Jacinda Steltjes at jsteltje@ci.olympia.wa.us or (360) 790-5224 for more information.

Case Study: Fourth Street Housing Partners for Merritt Manor, 3335 Martin Way E. The Multi-Family Tax Exemption program was utilized to create an 82-unit multi-family rental property intended for low-income families with children.

School Impact Fee Exemption

Summary: The City may grant an 80% school impact fee exemption for projects located within the Olympia School District or North Thurston School District which are 100% affordable for households with incomes 80% or lower of area median income. Accessory dwelling units, single-room occupancy, and senior housing are also exempt from Olympia School District impact fees.

Process: This exemption can be requested during the permitting process. More information can be found at [OMC 15.04.060.C.1](#). Exemptions must be requested by the developer and approved by the City and school district before a certificate of occupancy is issued. Contact Jacinda Steltjes at jsteltje@ci.olympia.wa.us or (360) 790-5224 for more information.

Case Study: Housing Authority of Thurston County for Olympia Crest III, 204 Lilly Rd. NE. The developer utilized this fee exemption to assist in the development of 28 affordable multi-family rental units for low-income families.

Park Impact Fee Exemption

Summary: The City may grant an 80% park impact fee exemption for projects which are 100% affordable for households with incomes 80% or lower of Area Median Income.

Process: This exemption can be requested by the developer during the permitting or construction process. More information can be found at [OMC 15.04.060.C.2](#). Exemptions must be requested and approved before a certificate of occupancy is issued. Contact Jacinda Steltjes at jsteltje@ci.olympia.wa.us or (360) 790-5224 for more information.

Case Study: FSCSS West Olympia LLLP for The Landing, 3524 7th Avenue SW. The developer utilized this fee exemption to assist in the development of 62 units of affordable multi-family rental housing for low-income and homeless families with children.

Transportation Impact Fee Exemption

Summary: The City may grant an 80% park impact fee exemption for projects which are 100% affordable for households with incomes 80% or lower of area median income.

Process: This exemption can be requested by the developer during the permitting process. More information can be found at [OMC 15.04.060.C.2](#). Exemptions must be requested and approved before a certificate of occupancy is issued. Contact Jacinda Steltjes at jsteltje@ci.olympia.wa.us or (360) 790-5224 for more information.

Case Study: St. Francis House on Martin Way LLC for St. Francis House on Martin Way, 113 Devoe St. NE. The developer utilized this fee exemption to assist in converting a former veterinary clinic into mixed use space with a non-profit on the first floor and four affordable rental units on the second floor.

LOTT Affordable Housing Support CDC Connection Fee Exemption

Summary: This program provides a 50% rebate on the LOTT Clean Water Alliance capacity development charge (CDC) to encourage development of affordable housing within LOTT's service area. To be eligible for rebate, the project must be a new development that involves a new connection to the LOTT system. In assessing project eligibility, City of Olympia will confirm the housing project is either permanent supportive housing that will serve individuals transitioning from homelessness or is low-income housing that is affordable to households with incomes at or below 80% of the area median income. This is a two-year pilot program that launched in February 2023.

Process: Applicants access the exemption by completing an application during the City of Olympia's permitting process. The exemption must be requested and approved before the service connection occurs. Contact Jacinda Steltjes at jsteltje@ci.olympia.wa.us or (360) 790-5224 for more information.

Case Study: VBT Lansdale Pointe LLC for Lansdale Pointe, 911 Burr Rd. The developer is utilizing this fee exemption to assist in the construction of 162 family-sized units.

City of Olympia General Facility Charge Fee Exemption

Summary: This program provides a 50% discount on the City's general facility charge, which is assessed for the connection of any premises to the City water system. To be eligible for the discount, the project must be characterized as permanently affordable housing. All residential units must be rented to households whose income does not exceed 80% area median income by household size. More information about this discount is detailed in [OMC 13.04.375](#).

Process: Applicants access the exemption by completing an application during the City of Olympia's permitting process. The exemption must be requested and approved before the service connection occurs. Contact Jacinda Steltjes at jsteltje@ci.olympia.wa.us or (360) 790-5224 for more information.

Case Study: 505 Union Avenue LLC for The Gibson, 505 Union Avenue. The developer is utilizing this exemption to redevelop a commercial office space into 64 affordable multi-family rental units.

REGULATORY INCENTIVES

Residential Parking Exemptions

Summary: In June 2023, the City adopted Ordinance 7366, which decreases residential parking requirements. Among other things the ordinance exempts new residential land uses in the Downtown Exempt Parking Area from required motor vehicle parking. More information can be found at [OMC 18.38](#).

Process: Parking requirements and exceptions are communicated to the developer by city staff through the permitting process. Contact the Permit Center at 360.753.8314 or cpdinfo@ci.olympia.wa.us if you have questions or need assistance.

Case Study: No projects have been completed since the municipal code was updated in June 2023.

Density Bonus

Summary: The City allows one additional residential unit for each low-income unit provided. Low-income unit is defined as affordable to a household with an income not exceeding 80% area median income by household size. This can be utilized up to a 20% bonus. More information can be found at [OMC 18.04.080A.4.d](#)

Process: Density bonuses are communicated by City staff through the permitting process. Contact the Permit Center at 360.753.8314 or cpdinfo@ci.olympia.wa.us for more information.

Case Study: To date, there are no specific case studies. Many multi-unit projects are being constructed in zones that do not have a density limit. This bonus is most applicable to lower density zones.

Pre-Approved Building Plans for Accessory Dwelling Units (ADUs)

Summary: The City of Olympia has pre-approved a series of building plans for accessory dwelling units. Property owners using these plans are exempt from the building plan review and associated fees.

Process: Pre-approved ADU plans can be found on the City of Olympia's [website](#). It's recommended to contact a city planner early in your process to discuss zoning and design review requirements. A planner can be reached by calling 360.753.8314 or emailing cpdinfo@ci.olympia.wa.us.

Case Study: Scattered sites across Olympia.

Land Use Pre-Submission Conference

Summary: This meeting is optional but strongly encouraged. Applicants will learn about the City's development standards, procedures and everything you need to submit a complete application for a land use permit.

Process: A pre-submission conference can be requested in the [Online Permit Portal](#).

IRS 1033 Tax Exchange Transaction

Summary: The City of Olympia will issue a threat of seizure by eminent domain to allow for an IRS 1033 Tax Exchange transaction to occur when the following conditions are met:

- The owner of the property has requested the City to participate in a 1033 Tax Exchange transaction;
- The property in question is being used for affordable housing purposes and the affordability of the property is in jeopardy, and;
- A proposed owner of the property has been identified and the proposed owner has 1) agreed to execute a restrictive covenant ensuring the housing units remain affordable to households whose income does not exceed 80% of Area Median Income for a minimum of 25 years and 2) been vetted by the City as financially and operationally capable of maintaining the property as affordable housing.

Process: A developer may request the City to consider participating in an IRS 1033 Tax Exchange transaction by contacting Jacinda Steltjes at jsteltje@ci.olympia.wa.us or (360) 790-5224.

Case Study: The ability to participate in an IRS 1033 Tax Exchange was approved by Olympia City Council in December 2024 as part of the Affordable Housing Emergency Declaration and accompanying ordinance. A case study has not yet occurred.

PROCEDURAL INCENTIVES

Prioritize Affordable Housing Projects in the Permitting Processes

Summary: Affordable housing projects which agree to meet the following criteria will be prioritized in the City's permitting processes:

- All units produced are affordable to households whose income does not exceed 80% of Area Family Median Income, adjusted for household size and updated annually by the U.S. Department of Housing and Urban Development.
- A Restrictive Covenant pursuant to the land's use is executed between the owner and City of Olympia to require 25 years of affordability.

Process: The applicant must indicate within the City's permit portal when initiating a permit that the project being constructed will be an affordable housing project and will meet the above listed criteria. Contact Jacinda Steltjes at jsteltje@ci.olympia.wa.us or (360) 790-5224 for more information.

Case Study: Prioritization of affordable housing projects is a strategy adopted in December 2024 as part of the Affordable Housing Emergency Declaration and accompanying ordinance. A case study has not yet occurred.

Specialized Community Planning & Development Staff Support

Summary: A Principal Planner in the City of Olympia's Community Planning & Economic Development Department is available to assist developers when they encounter barriers to developing affordable housing resulting from the City's codes. This person is a resource to help navigate the City's code and problem-solve ways to reduce or remove barriers.

Process: An application is not available for this resource. Contact Nicole Floyd at nfloyd@ci.olympia.wa.us or (360) 570-3768 for more information.

Case Study: Specialized community planning and development support is a strategy adopted in December 2024 as part of the Affordable Housing Emergency Declaration and accompanying ordinance. A case study has not yet occurred.

Request to Waive, Postpone, or Exempt City Requirements

Summary: An affordable housing developer may submit a request to waive, postpone or exempt a City code or requirement when the following conditions are met:

- The developer is attempting to construct housing which is affordable to households whose income does not exceed 80% of the Area Median Income;
- The developer has identified a City code(s) or regulation(s) which are creating barriers which are preventing the development from moving forward;
- The developer has worked with City staff, including specialized staff in the Community Planning and Economic Development Department, in an effort to reduce or remove the barriers;
- The affordable housing developer will execute a restrictive covenant ensuring the housing units remain affordable to households whose income does not exceed 80% of Area Median Income for a minimum of 25 years.

Process: A developer may initiate a waiver request by contacting Nicole Floyd at nfloyd@ci.olympia.wa.us or (360) 570-3768. The City Manger or City Manager’s designee, on a case-by-case basis, will review the request and consult with staff who are experts in the field to determine if the waiver will be granted.

Case Study: The ability to request a waiver was approved by Olympia City Council in December 2024 as part of the Affordable Housing Emergency Declaration and accompanying ordinance. A case study has not yet occurred.

GRANT AND LOAN PROGRAMS

Infrastructure Improvements Grant Program

Summary: This program provides grant funding to assist developers of affordable housing to pay for drinking water and wastewater related infrastructure improvements. To be eligible for the grant funding, the project must be operated as permanently affordable housing. All residential units must be rented to households whose income does not exceed 80% area median income by household size. Funding is available on a first-come basis.

Process: Applicants may access the grant by completing an application within the City of Olympia’s permitting portal during the permitting process. The exemption must be requested and approved before the infrastructure improvements occur. To learn more contact Jacinda Steltjes at jesteltje@ci.olympia.wa.us or (360) 790-5224 for more information.

Case Study: The Infrastructure Improvement Grant Program was adopted in December 2024 as part of the Affordable Housing Emergency Declaration and accompanying ordinance. A case study has not yet occurred.

Permit and Review Fee Exemption Grant Program

Summary: This program provides grant funding to assist developers of affordable housing to pay for all or partial permit and review fees. To be eligible for the grant funding, the project must be characterized as permanently affordable housing. All residential units must be rented to households whose income does not exceed 80% of area median income by household size. Funding is available on a first-come basis. To learn more contact Jacinda Steltjes at jsteltje@ci.olympia.wa.us or (360) 790-5224.

Process: Applicants access the grant by completing an application within the City of Olympia's permitting portal during the permitting process. The exemption must be requested and approved before the infrastructure improvements occur. Contact Jacinda Steltjes at jsteltje@ci.olympia.wa.us or (360) 790-5224 for more information.

Case Study: The Permit and Review Fee Exemption Grant Program was adopted in December 2024 as part of the Affordable Housing Emergency Declaration and accompanying ordinance. It will become available to developers beginning the second quarter of 2025. A case study has not yet occurred.

Rental Rehabilitation Revolving Loan

Summary: Rental property owners within the City of Olympia may obtain a zero-interest loan of Community Development Block Grant funds to make health and safety related repairs and improvements to their property. The loan requires the landlord to maintain affordable rental rates at the property for 30 years.

Process: For more information contact Anastasia Everett at aeverett@ci.olympia.wa.us or 360.233.6197.

Case Study: This program has been used to provide health and safety improvements such as window replacements, new roofs, foundation repairs, siding repair, electrical system updates, and more.

Community Development Block Grant (CDBG)

Summary: The City of Olympia receives an annual allocation of Community Development Block Grant funds from the U.S. Department of Housing and Urban Development. Funds must be used to benefit low-income households with incomes at or below 80% of the area median income by household size. Funds can be used in a variety of ways that support affordable housing.

Process: Funds are made available annually around March by the City of Olympia through a Request for Proposals process. The City of Olympia makes awards. For more information contact Anastasia Everett at aeverett@ci.olympia.wa.us or 360.233.6197.

Case Study: Family Support Center South Sound, 3524 7th Ave. SW. FSCSS was provided a \$400,000, 0% interest, deferred payment loan of Community Development Block Grant funds, which were applied toward the non-profit's purchase of the property. FSCSS is constructing 62 units of multi-family rental housing for low-income and homeless families with children. The project is commonly known as The Landing.

Home Fund

Summary: SHB 1590 allows for the collection of 1/10th of 1% sales and use tax to be applied toward affordable housing. The City of Olympia’s voters approved the measure, creating an Olympia Home Fund, in 2018. Thurston County’s Board of County Commissioners enacted the measure in 2022. The jurisdictions now have a combined Home Fund, which provides grants for the construction of affordable housing and emergency shelter. Funding must support persons whose income is at or below 60% of the area median income by household size and who are homeless, at-risk of homelessness, experiencing behavioral health or other disabilities, or who are domestic violence survivors.

Process: Funds are made available annually through a Request for Proposals process which typically occurs in February and is released in partnership with Thurston County. The Thurston Affordable Housing Advisory Board makes funding recommendations to the Thurston Regional Housing Council. For more information contact Jacinda Steltjes at jsteltje@ci.olympia.wa.us or (360) 790-5224.

Case Study: Homes First was provided \$410,714.00 for property acquisition, conversion, and development, of affordable low-income single-family rental housing scattered across Thurston County.

HOME Investment Partnership Program (HOME)

Summary: Thurston County receives HOME funding from the U.S. Department of Housing and Urban Development (HUD) annually. Funds can be used for the acquisition of land or construction of new units of affordable housing. Funds are available across Thurston County, including within the City of Olympia. Funds must support low-income persons with incomes at or below 80% of area median income by household size.

Process: Funds are made available annually through a Request for Proposals process which typically occurs in February and is released by Thurston County. The Thurston Affordable Housing Advisory Board makes funding recommendations to the Thurston Regional Housing Council. For more information contact Jacinda Steltjes at jsteltje@ci.olympia.wa.us or (360) 790-5224.

Case Study: Low Income Housing Institute for Unity Commons, 2828 Martin Way E. LIHI was awarded a grant in the amount of \$534,313 to assist in its development of 63 multi-family rental units for homeless individuals and others with incomes at or below 50% of area median income. The project is commonly known as 2828 Martin Way Phase 1. The project features Interfaith Works’ Unity Commons emergency homeless shelter on the ground floor of the building.

SHB 2060 Funding

Summary: This Thurston County financing source is funded by local document recording fees. The funds can be used for the acquisition of land, new construction, and preservation of affordable housing for persons whose income is 50% or less of area median income by household size. Funds are available across Thurston County, including within the City of Olympia. Funds are often used as a match for federal funds awarded through the HOME program.

Process: Funds are made available annually through a Request for Proposals process which typically occurs in February and is released by Thurston County. The Thurston Affordable Housing Advisory Board

makes funding recommendations to the Thurston Regional Housing Council. For more information contact Jacinda Steltjes at jsteltje@ci.olympia.wa.us or (360) 790-5224.

Case Study: Homes First, scattered sites. Homes First received a \$12,000 award that was applied toward the installation of solar infrastructure on three single-family rentals, which are occupied by low-income households. The infrastructure has helped make the cost of utilities affordable for the tenants.

SHB 1406 Funding

Summary: This funding source was approved in 2019 by the Washington State Legislature as a revenue sharing program for local governments to support the development of affordable housing. Local jurisdictions retain a portion of state sales tax for a period of 20 years. Funds can be used for acquiring, rehabilitating, or constructing affordable housing, or for operations and maintenance of new affordable or supportive housing units. Rental assistance is also an eligible use for smaller counties, including Thurston County. Funds are available across Thurston County, including within the City of Olympia.

Process: Funds are made available annually through a Request for Proposals process which typically occurs in February and is released by Thurston County. Funds from regional jurisdictions, including Olympia are pooled, and awards are recommended by the Thurston Affordable Housing Advisory Board to the Thurston Regional Housing Council. For more information contact Jacinda Steltjes at jsteltje@ci.olympia.wa.us or (360) 790-5224.

Case study: Low Income Housing Institute for Unity Commons, 2828 Martin Way E/111 Pattison St. NE. LIHI was awarded regionally pooled 1406 funds in an amount slightly exceeding \$1,700,000 to assist in its development of 64 multi-family rental units for homeless seniors and others with incomes at or below 50% of area median income. The project is commonly known as 2828 Martin Way Phase II.

DEFINITIONS

Affordable Housing

Housing is considered affordable when a household spends no more than 30% of its income on housing expenses.

Area Median Income

Area median income is defined as the midpoint of a specific metropolitan statistical area's income distribution and is calculated on an annual basis by the U.S. Department of Housing and Urban Development (HUD).

Area Median Income Limits

Many of the financing programs described above are available for affordable housing projects that will serve households whose incomes are 80% or lower of the area median income. As such, income limits are published annually by HUD. These are presented as income limits by household size and can be viewed [at https://www.huduser.gov/portal/datasets/il.html](https://www.huduser.gov/portal/datasets/il.html). The 2023 income limit for a four-person household in Thurston County is \$82,000.

Low Income Household

A low-income household is defined as a household whose income is no more than 80% of the area median income, accounting for household size.

Low Income Housing

Housing intended to be occupied at an affordable rate by a low-income household(s).

Housing Action Plan

Olympia’s Housing Action Plan identifies actions the City can take to increase housing supply, bolster the diversity of housing options and increase affordability and stability for residents. The City is in the process of implementing the actions listed in the Plan. More information can be found at [Housing Action Plan](#).

Request for Proposals

A process in which an entity such as City of Olympia publishes a formal document describing a desired project or outcome and soliciting proposals, or bids, from organizations proposing to complete the project or produce the outcome.