



TO: Elizabeth Pauli, City Manager
FROM: Ricardo Noguera, Director, Community and Economic Development
 Debbie Bingham, Economic Development Specialist, Community and Economic Development
COPY: City Council and City Clerk
SUBJECT: Request for resolution– September 19, 2017
DATE: September 1, 2017

SUMMARY:

Authorizing the appropriate City officials to execute an 8 Year Multifamily Housing Property Tax Exemption Agreement with Horizon Commerce Partners, LLC for the development of 49 multifamily market-rate units at 2109 South C Street in the Downtown Mixed Use Center.

STRATEGIC POLICY PRIORITY:

This project will foster neighborhood, community, and economic development vitality and sustainability by providing 49 market rate housing units within a designated mixed use center.

BACKGROUND:

Horizon Commerce Partners, LLC is proposing to develop 49 new market rate rental units in the Downtown Mixed Use Center as described in Exhibit “A” to the Resolution. The housing will consist of 49 units as described in the chart below.

Number of units	Type of Unit	Size	Expected Rental Rate
26	Studio	510-685 SQFT	\$1025-\$1350
23	Two bedroom, two bath	1000-1050 SQFT	\$1950-\$2100

This project is rehabilitating an existing historic three story building with 25,700 square feet of commercial space and adding an additional four floors which will consist of the new 49 residential units. The project is forwarded to the Pierce County Treasurer Assessor to qualify for the 8 year multi-family housing property tax exemption after the project complies with all City of Tacoma building codes, processes and procedures and receives a valid certificate of occupancy from the City. Horizon Commerce Partners, LLC will enter into an agreement prepared by the City to develop the site as described in the plans on file with the City.

ISSUE:

This action would approve the tax exemption through the attached proposed agreement.

ALTERNATIVES:

If the resolution is not adopted, the tax exemption will not be granted and the developer has stated that the exemption is necessary to make the project feasible.

RECOMMENDATION:

Staff has reviewed the application and has determined that the proposed project qualifies for the 8 Year Multifamily Housing Property Tax Exemption. Staff recommends the Council approve the resolution.



FISCAL IMPACT:

While property taxes would be exempted for an 8 year period, the long term revenue of the project would help offset those short term impacts. Throughout the exemption period, the value of the land and the commercial portions would continue to be taxed. Additionally, the projected increases in population from the development will produce additional economic impact through increased sales tax generation. The projected assessed value of the completed project, the projected property taxes to be exempt and the projected increase in sales tax are listed in the table below:

Current Land Value Property Tax Projections	
Current Assessed Value	\$ 202,900
Current Total Annual Property Tax	\$ 3,400
Projected Total Property Tax Payments on Land and Commercial Over 8 Years	\$ 661,500
- City	\$ 148,000
Projected Completed Assessed Value and Property Tax Exemption	
*Projected Completed Assessed Value	\$ 12,142,035
Projected Total Taxes to be Exempt over 8 years	\$ 1,563,894
- City	\$ 349,690
Potential Sales Tax Impacts	
**Projected Total Sales Tax Generated over 8 years	\$ 2,018,588
- City	\$ 252,323

*The projected *Completed Assessed Value* is based on estimated construction costs.

**The projected *Total Sales Tax Generated* is estimated by the increase in households the project creates using the average sales tax revenue generated per household in Tacoma.