



TO: Elizabeth Pauli, City Manager
FROM: Patricia Beard, Project Manager, Community and Economic Development Department
Jeff Robinson, Director, Community and Economic Development Department
COPY: City Council and City Clerk
SUBJECT: Resolution approving the issuance of Nonrecourse Industrial Revenue Bonds for Tool Gauge & Machine Works, Inc. – September 18, 2018
DATE: August 29, 2018

SUMMARY:

This memorandum requests City Council, as a required planning jurisdiction, to consider a resolution to approve the issuance of Nonrecourse Industrial Revenue Bonds for the expansion of Tool Gauge & Machine Works, Inc., project address 4336 S. Adams Street, Tacoma.

STRATEGIC POLICY PRIORITY:

- Foster a vibrant and diverse economy with good jobs for all Tacoma residents.

Tool Gauge & Machine Works, Inc. is a family-owned aerospace components manufacturer operating in Tacoma since 1966 and currently employs more than 130 people. Issuance of nonrecourse industrial revenue bonds would support a planned company expansion including the development of a new 81,000 square foot state of the art manufacturing facility and the creation of up to 100 additional jobs over the next five years.

BACKGROUND:

Industrial revenue bonds are a federally-authorized financing vehicle for manufacturing and industrial development projects designed to encourage capital investment and employment. Since bond buyers do not pay income taxes on the interest earned, companies are offered a lower interest rate and financing costs for projects. RCW Chapter 39.84 requires that the Planning Jurisdiction over the area in which the capital project will take place must approve issuance of nonrecourse industrial revenue bonds.

On August 3, 2018, the Economic Development Corporation of Pierce County (“EDCPC”) approved an Inducement Resolution for the bonds, making way for required City Council and County Council consideration.

On August 28, 2018, the City Council’s Economic Development Committee voted to recommend that the City Council approve issuance of the bonds.

ISSUE:

Tool Gauge & Machine Works, Inc. is a manufacturer of metal and plastic components for the aerospace industry. Having recently won new contracts, the company desires to consolidate and expand its plastic extrusion operation and to bring painting operations, currently outsourced, in house. To accomplish these plans, the company will demolish several older buildings and construct a new 81,000 square foot facility at a cost of \$18.8 million and hire up to 100 additional employees within five years.

To assist in financing the project, the company applied to the EDCPC for nonrecourse industrial revenue bond financing of \$10 million. The bonds, which will be privately issued, require the approval of the EDCPC, City of Tacoma and Pierce County.



The City of Tacoma, in its authority as Planning Jurisdiction over the project site, must approve issuance of the bonds. The project is located within the “M-2” heavy industrial zone and is consistent with the Tacoma Municipal Code and Comprehensive Plan.

ALTERNATIVES:

The City Council can decide not to approve issuance of the bonds. In that event, Tool Gauge & Machine Works, Inc. could seek alternative financing for the project.

RECOMMENDATION:

Staff recommends that the City Council adopt the resolution approving the issuance of nonrecourse industrial revenue bonds for Tool Gauge & Machine Works, Inc. This action supports the City Council’s goal to “create robust, thriving employment centers and strengthen and protect Tacoma’s role as a regional center for industry and commerce.” (One Tacoma Comprehensive Plan, Goal EC-6). The proposed use is consistent with the land use designation of the project site and vicinity. Not adopting the resolution would undermine the City’s goals and result in increased barriers to job creation in the vital aerospace manufacturing industry.

FISCAL IMPACT:

There is no fiscal impact. The bonds will be issued privately and the City of Tacoma will not be liable in the event of a default.

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
N/A			
TOTAL			

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
N/A			
TOTAL			

POTENTIAL POSITION IMPACT:

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
N/A			
TOTAL			

This section should only be completed if a subsequent request will be made to increase or decrease the current position count.