



**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 – August 29, 2017  
**DATE:** August 14, 2017

**SUMMARY:**

Authorizing the appropriate City officials to execute a 12 Year Multifamily Housing Property Tax Exemption Agreement with HQC USA LLC for the development of 132 multifamily market-rate units and 34 affordable rental units at 1210 Tacoma Avenue South in the Downtown Regional Growth Center. This was, until recently, a City owned surface parking lot.

**STRATEGIC POLICY PRIORITY:**

This project will foster neighborhood, community, and economic development vitality and sustainability by providing 166 housing units, both market-rate and affordable, within a designated mixed use center.

**BACKGROUND:**

HQC USA LLC is proposing to develop 132 multifamily market-rate units and 34 affordable rental units in the Downtown Regional Growth Center as described in Exhibit “A” to the Resolution. The housing will consist of 166 units as described in the chart below.

Number of units	Type of Unit	Size	Expected Rental Rate
55	Studio	450-500 SQFT	\$1050-\$1500
80	One bedroom, one bath	750 SQFT	\$1150-\$1700
31	Two bedroom, two bath	1025 SQFT	\$1300-\$2200

The project will also include 174 stalls of parking for residents, 40 parking stalls for Library use and 2,000 square feet of commercial space. The project is forwarded to the Pierce County Treasurer Assessor to qualify for the 12 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. HQC USA 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 12 Year Multifamily Housing Property Tax Exemption. Staff recommends the Council approve the resolution.



**FISCAL IMPACT:**

While property taxes would be exempted for a 12 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:

<b>Current Land Value Property Tax Projections</b>	
Current Assessed Value	\$ 785,000
Current Total Annual Property Tax	\$ 0
Projected Total Property Tax Payments on Land and Retail Space Value Over 12 Years	\$ 212,185
- City	\$ 35,900
<b>Projected Completed Assessed Value and Property Tax Exemption</b>	
*Projected Completed Assessed Value	\$ 31,220,000
Projected Total Taxes to be Exempt over 12 years	\$ 6,032,000
- City	\$ 1,349,000
<b>Potential Sales Tax Impacts</b>	
**Projected Total Sales Tax Generated over 12 years	\$ 10,258,000
- City	\$ 1,282,000

\*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.