



**TO:** Elizabeth Pauli, Interim 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– May 2, 2017  
**DATE:** April 14, 2017

**SUMMARY:**

Authorizing the appropriate City officials to execute a 12 Year Multifamily Housing Property Tax Exemption Agreement with Koz Development, LLC for the development of 104 multifamily market-rate and affordable rental units at 1552-1556 Market Street in the Downtown Regional Growth Center.

**STRATEGIC POLICY PRIORITY:**

This project will foster neighborhood, community, and economic development vitality and sustainability by providing 104 housing units within a designated mixed use center and within close proximity of the UW Tacoma campus.

**BACKGROUND:**

Koz Development, LLC is a Snohomish-based development company is building micro-unit developments in Seattle, Everett, Portland and now Tacoma. These units are self-contained and offer murphy beds and compact appliances. They also exclude parking with the goal of drawing tenants who rely on public transit. They prefer to locate near light rail, college campuses and highly dense downtown areas. Koz Development, LLC is proposing to develop 104 new market rate and affordable rental units in the Downtown Regional Growth Center as described in Exhibit “A” to the Resolution. The housing will consist of 104 units as described in the chart below.

Number of units	Type of Unit	Size	Expected Rental Rate
104	Studio	250 SQFT	\$850

The project will also include 1370 square feet of retail space. The Community and Economic Development Department has determined that the proposed project qualifies for the 12 year multi-family housing property tax exemption. Koz Development, LLC will enter into an agreement prepared by the City to develop the site as described in the plans on file with the City.

**BACKGROUND ON KOZ DEVELOPMENT:**

**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:**

The value of the land and the retail space would continue to be taxed throughout the exemption period. The additional greater economic impact to Tacoma from adding to the population base is estimated through 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 Land Assessed Value	\$ 193,200
Current Total Annual Property Tax	\$ 3,110
Projected Total Property Tax Payments on Land and Retail Space Value Over 12 Years	\$ 95,733
- City	\$ 22,595
<b>Projected Completed Assessed Value and Property Tax Exemption</b>	
*Projected Completed Assessed Value	\$ 11,500,000
Projected Total Taxes to be Exempt over 12 years	\$ 2,222,400
- City	\$ 534,500
<b>Potential Sales Tax Impacts</b>	
**Projected Total Sales Tax Generated over 12 years	\$ 6,426,500
- City	\$ 803,300

\*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.