



TO: Elizabeth Pauli, City Manager
FROM: Debbie Bingham, Project Manager, Community and Economic Development
 Jeff Robinson, Director, Community and Economic Development
COPY: City Council and City Clerk
SUBJECT: Request for resolution– October 15, 2019
DATE: September 30, 2019

SUMMARY:

Authorizing the appropriate City officials to execute a 12 Year Multifamily Housing Property Tax Exemption Agreement with Konstantin Kurkov for the development of 12 multifamily market-rate and affordable rental units at 7427 S. D Street in the Upper Pacific Mixed Use Center.

STRATEGIC POLICY PRIORITY:

This project will foster neighborhood, community, and economic development vitality and sustainability by providing 12 market rate and affordable rental housing units within a designated mixed-use center.

BACKGROUND:

Konstantin Kurkov is developing 12 new market-rate and affordable rental units in the Upper Pacific Mixed Use Center as described in Exhibit “A” to the Resolution. The housing will consist of 12 units as described in the chart below.

Number of units	Type of Unit	Average Size	Expected Rental Rate
<i>Market Rate</i>			
2	Studio	415 SQFT	\$875
1	One bedroom, one bath	800 SQFT	\$1100
6	Two bedroom, one bath	900 SQFT	\$1200
<i>Affordable Rate</i>			
1	Studio	415 SQFT	\$1124* with utilities (max)
1	One bedroom, one bath	800 SQFT	\$1284* with utilities (max)
1	Two bedroom, one bath	900 SQFT	\$1,444* with utilities (max)

This project will also include 6 parking spaces. The project will be forwarded to the Pierce County Treasurer Assessor 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, Konstantin Kurkov 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:

The value of the land and retail portions 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:

Current Land Value and Retail Property Tax Projections	
Current Assessed Value	\$ 168,400
Current Total Annual Property Tax	\$ 2,200
Projected Total Property Tax Payments on Land Value Over 12 Years	\$ 12,600
- City	\$ 2,900
Projected Completed Assessed Value and Property Tax Exemption	
*Projected Completed Assessed Value	\$ 1,100,000
Projected Total Taxes to be Exempt over 12 years	\$ 171,000
- City	\$ 39,360
Potential Sales Tax Impacts	
**Projected Total Sales Tax Generated over 12 years	\$ 1,160,000
- City	\$ 125,500
***Projected Sales Tax generated from construction	\$ 132,000
- City	\$ 14,300

*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.

***The projected Sales Tax generated from construction is estimated by multiplying the construction costs by the sales tax rate.