



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 RDM Construction Services, LLC for the development of four multifamily market-rate and affordable rental units at 640 North Prospect Street in the Sixth Avenue Mixed Use Center.

STRATEGIC POLICY PRIORITY:

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

BACKGROUND:

RDM Construction Services, LLC is proposing to develop 3 new market rate and 1 affordable rental units in the Sixth Avenue Mixed Use Center as described in Exhibit “A” to the Resolution. The housing will consist of four units as described in the chart below.

Number of units	Type of Unit	Size	Expected Rental Rate
2	Studio	422 SQFT	\$850
2	Two bedroom, one bath	901-950 SQFT	\$1400

The project will also include 2 stalls of parking. 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. RDM Construction Services, 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:

Current Land Value Property Tax Projections	
Current Assessed Value	\$ 101,400
Current Total Annual Property Tax	\$ 855
Projected Total Property Tax Payments on Land and Retail Space Value Over 12 Years	\$ 247,174
- City	\$ 30,896
Projected Completed Assessed Value and Property Tax Exemption	
*Projected Completed Assessed Value	\$ 300,000
Projected Total Taxes to be Exempt over 12 years	\$ 4,830
- City	\$ 1,080
Potential Sales Tax Impacts	
**Projected Total Sales Tax Generated over 12 years	\$ 57,960
- City	\$ 12,960

***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.**