



TO: Elizabeth Pauli, City Manager
FROM: Elly Walkowiak, Assistant Director, Community and Economic Development Department
Jeff Robinson, Director, Community and Economic Development Department
COPY: City Council and City Clerk
SUBJECT: **Resolution – First Amendment to Amended and Restated Agreement Regarding the Purchase and Sale and Development of Real Property between the City of Tacoma and North America Asset Management Group, LLC for Development of the Town Center Located Between S. 21st to S. 23rd Streets and Jefferson to Tacoma Avenues – August 27, 2019**
DATE: August 12, 2019

SUMMARY:

North America Asset Management Group, LLC (NAAM) is requesting an amendment to the Amended and Restated Agreement that the City Council approved on September 12, 2017 related to the Town Center mixed-use project on a previously City-owned 6.4-acre site located downtown between S. 21st and S. 23rd Streets and Jefferson to Tacoma Avenues adjacent to the University of Washington Tacoma. The proposed amendment is to facilitate construction financing for Building 2 situated at the NW corner of S. 23rd Street and Jefferson Avenue.

Council is requested to approve the amendment, which will rescind the City’s right to acquire Building 2 with 144 market-rate housing units that are approximately 70% complete. The purpose of the rescission right is to ensure commencement and completion of construction on sites within the Town Center development. Construction on Building 2 has commenced and is anticipated to be finished by January 31, 2020. The Lender requires the City to extinguish its rescission right on Building 2 and the underlying land in order to provide the necessary debt financing and enable building completion.

STRATEGIC POLICY PRIORITY:

This project that will result in new investment, job creation and increased tax revenue will align best with the following Council priorities:

- Foster a vibrant and diverse economy with good jobs for all Tacoma residents.
- Assure outstanding stewardship of the natural and built environment.

BACKGROUND:

On August 18, 2015, the City Council approved the Purchase and Sale and Development Agreement with North America Asset Management Group, LLC (NAAM) to develop the Town Center project on an approximate 6.4-acre site situated between S. 21st to S. 23rd Streets from Jefferson to Tacoma Avenues. This agreement has been amended three times. The First Amendment, dated June 14, 2016, primarily adjusted the legal description to remove a portion of real property to be dedicated as additional right-of-way for S. 23rd Street and, consequently, the Purchase Price to \$3,451,228, updated the Development Plan and extended the construction timeline. The Second Amendment, entered into on December 13, 2016, required a \$2.4 million non-refundable deposit, altered the project phasing, increased the residential density and extended the construction timeline. The Amended and Restated Agreement (Third Amendment), entered into on October 16, 2017, involved refining the conditions precedent to closing, fine-tuning development requirements, adjusting the closing date, extending performance deadlines, strengthening the City’s reacquisition rights to the entire site and memorializing a Developer commitment



to contribute \$750,000 to fund the S. 21st Street improvements adjacent to the Property, which funding has been received.

On October 16, 2017, the City conveyed the 6.4-acre development site to the Developer even though the Town Center project will be developed in three stages—Phase 1A (S. 23rd and Jefferson), Phase 1B (S. 21st and Jefferson) and Phase 2 (Fawcett to Tacoma Avenues). This was necessary for the Developer to invest in and construct the offsite improvements that encompass the whole property. These improvements include but are not limited to erosion control from S. 21st to S. 23rd Streets at Jefferson and Fawcett Avenues, paving S. 21st Street from Jefferson to Tacoma Avenues, constructing storm drains throughout the site, demolishing sanitary sewer in vacated Court E, eliminating power lines in vacated Court D and Court E, along with the associated public utility easement releases, and installing electrical lines along Fawcett Avenue from S. 21st to S. 23rd Streets to complete the loop, and other infrastructure work.

The proposed amendment will rescind the City’s right to acquire Building 2 with 144 market-rate housing units that are approximately 70% complete. The purpose of the rescission right is to ensure commencement and completion of construction on sites within the Town Center development. Construction on Building 2 has commenced and is anticipated to be finished by the end of this year. The Lender requires the City to extinguish its rescission right on Building 2 and the underlying land in order to provide the necessary debt financing and enable building completion.

This estimated \$125 million mixed-use project will contribute significantly to transforming the Brewery District in Downtown Tacoma. It represents a major foreign direct investment on publicly-owned land in Tacoma adjacent to the University of Washington Tacoma. Buildout of the Town Center project will generate substantial tax revenue as well as create about 1,405 construction and at least 185 full-time jobs to enable Tacoma’s continued economic vitality.

ISSUE:

If the amendment is not approved, Building 2 will not be completed in a timely manner. The City’s long-term goal of a mixed-use urban village on the site will be delayed, and the property will continue to be underutilized. The City will maintain its rescission rights to all of the remaining property within the Town Center development. There is minimal risk that Building 2 will not be completed.

ALTERNATIVES:

The City Council may elect not to approve the amendment. However, this action will act to delay NAAM’s ability to obtain debt financing. Downtown revitalization will lag which will negate job creation and tax revenue generation.

RECOMMENDATION:

Staff recommends that the City Council approve the First Amendment to the Amended and Restated Agreement. The \$125 million Town Center mixed-use project will serve as a catalytic development in the downtown core. It will generate significant direct and indirect revenue, create jobs, increase downtown residential density, add to the liveliness of the University of Washington retail corridor, attract diversified foreign investment and enhance the City’s international image.

FISCAL IMPACT:

N/A