



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Teresa Sedmak, City Treasurer  
**COPY:** City Council and City Clerk  
**SUBJECT:** Pantages Theater Renovation Project and TCRA Lease Consent Resolution  
**DATE:** December 5, 2017

---

**SUMMARY:**

A resolution providing City Council consent for the Tacoma Community Redevelopment Authority (TCRA) to enter into a lease of the Pantages Building to be in a position to access Federal Historic Tax Credits (HTCs) and New Markets Tax Credits (NMTCs) which, if awarded, would help fund a historic rehabilitation of the Pantages Building

**STRATEGIC POLICY PRIORITY:**

This amendment aligns with the following strategic policy priorities:

- Strengthen and maintain a strong fiscal management position.
- Foster neighborhood, community, and economic development vitality and sustainability.

**BACKGROUND:**

The Broadway Center for the Performing Arts (BCPA) is in the process of finalizing plans for renovations of the Pantages Building. The anticipated cost of the project is between \$12 and \$20 million, total, and BCPA is currently undertaking a capital campaign to raise funds to complete the project. Funding is anticipated to come from the City, private donations, a grant of the State and moneys raised through both Historic Tax Credits (HTCs) and New Market Tax Credits (NMTCs). To assist in accessing funding through HTCs and NMTC programs, the project has been presented to potential tax credit investors through an outside consultant hired by BCPA.

There is historical precedent for taking advantage of tax credits for historic renovations. In 1983, the City entered into a series of simultaneous lease transactions in order to monetize available tax credits to provide funding for necessary improvements to the Pantages Building. While the transaction was complex and involved a number of leases and subleases between the City (through TCRA) and limited purpose entities formed for the purposes of the transaction, it was, at its most fundamental level, a multi-year lease between the City and the tax credit investors.

This tax credit structure was terminated in 2014 in anticipation of a new capital campaign for renovations of the Pantages Building. A remnant from this earlier tax credit transaction is that the City conveyed title of the Pantages Building to TCRA.

**ISSUE:**

The tax reform packages proposed by both the U.S. House of Representatives and the U.S. Senate have potential adverse impacts on both HTC and NMTC programs, threatening the BCPA's ability to raise funds through these structures. This uncertainty has caused entities contemplating the use of tax credits to draft documents and put legal structures in place, before the end of the year, to minimize the risks of any potential changes to the tax credit program which would negatively impact their project and finance plans.

Actions necessary to take advantage of the tax credits include: (1) creating an additional tax credit entity; and (2) leasing the Pantages Building to the entity which will be the tax credit program applicant. Because title to the Pantages Building was conveyed to TCRA, by the City, in the past, the lease of the Pantages Building will require the approval of the TCRA Board at its meeting of December 21, 2017. City consent



to the lease is also required. TCRA will derive no financial benefit from the lease and the lease shall have no effect on the Management Agreement between the BCPA and the City for operations of the facility. The lease will be effective during the period required for such credits to be available for tax credit investors. In the event the renovation of the Pantages Building proceeds without the benefit of the tax credits, the lease shall terminate.

**ALTERNATIVES:**

Council could decide to not to consent to the lease agreement. Without Council consent, the lease to a tax credit entity would not be possible. This could prohibit the project from taking advantage of either HTCs or NMTCs, negatively impacting the revenues available for the project. Without the tax credits, the project would either need to cut scope to live within available funds or seek additional funding from other sources.

**RECOMMENDATION:**

Staff recommends that City Council approve the resolution and consent to the lease.

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET:** None to the City, however, without funding from the tax credits, the project budget would be impacted requiring either reductions to the scope of the renovations, or funding from other sources.

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED?** N/A.