



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Debbie Bingham, Economic Development Specialist, Community and Economic Development  
 Kim Bedier, Acting Director, Community and Economic Development  
**COPY:** City Council and City Clerk  
**SUBJECT:** Request for resolution– March 20, 2018  
**DATE:** March 5, 2018

**SUMMARY:**

Authorizing the appropriate City officials to execute a 12 Year Multifamily Housing Property Tax Exemption Agreement with 618 Steele Street, LLC for the development of 13 multifamily market-rate and affordable rental units at 618 Steele Street in the 6<sup>th</sup> Avenue Mixed Use Center.

**STRATEGIC POLICY PRIORITY:**

This project will foster neighborhood, community, and economic development vitality and sustainability by providing 13 market rate and affordable rental housing units within a designated mixed use center.

**BACKGROUND:**

Matt Dill and Fred Rea of 618 Steele Street, LLC are proposing to develop 13 new market-rate and affordable rental units in the 6<sup>th</sup> Avenue Mixed Use Center as described in Exhibit “A” to the Resolution. The housing will consist of 13 units as described in the chart below.

Number of units	Type of Unit	Average Size	Expected Rental Rate
<i>Market Rate</i>			
1	One bedroom, one bath	590 SQFT	\$1100
9	Two bedroom, one bath	590 SQFT	\$1300
<i>Affordable Rate</i>			
3	Two bedroom, one bath	590 SQFT	\$1342* with utilities

This project will also include 9 stall of on-site residential parking. 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. The Community and Economic Development Department has determined that the proposed project has all the necessary qualifications for the 12 year multi-family housing property tax exemption. 618 Steele Street, 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:**

The value of the land 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 and Property Tax Projections</b>	
Current Assessed Value	\$ 96,900
Current Total Annual Property Tax	\$ 1,530
Projected Total Property Tax Payments on Land Value Over 12 Years	\$ 18,370
- City	\$ 2,560
<b>Projected Completed Assessed Value and Property Tax Exemption</b>	
*Projected Completed Assessed Value	\$ 1,500,000
Projected Total Taxes to be Exempt over 12 years	\$ 289,800
- City	\$ 64,800
<b>Potential Sales Tax Impacts</b>	
**Projected Total Sales Tax Generated over 12 years	\$ 803,300
- City	\$ 100,400

\*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.