



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 Dragon Bowline LLC for the development of 152 multifamily market-rate and affordable rental units at 304, 306 & 308 Puyallup Avenue in the Downtown Regional Growth Center.

STRATEGIC POLICY PRIORITY:

This project will foster neighborhood, community, and economic development vitality and sustainability by providing 152 market rate and affordable rental housing units within a designated mixed use center.

BACKGROUND:

Peter McNeal of Dragon Bowline LLC is proposing to develop 152 new market-rate and affordable rental units in the Downtown Regional Growth Center as described in Exhibit “A” to the Resolution. The housing will consist of 152 units as described in the chart below.

Number of units	Type of Unit	Average Size	Expected Rental Rate
<i>Market Rate</i>			
84	Studio	305 SQFT	\$850
29	One bedroom, one bath	400 SQFT	\$1100
8	Two bedroom, one bath	585 SQFT	\$1350
<i>Affordable Rate</i>			
21	Studio	305 SQFT	\$850
8	One bedroom, one bath	400 SQFT	\$1192* with utilities
2	Two bedroom, one bath	585 SQFT	\$1342* with utilities

This project will also include 3,190 square feet of retail space. 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. Dragon Bowline 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 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	\$ 459,600
Current Total Annual Property Tax	\$ 7260
Projected Total Property Tax Payments on Land and Retail Value Over 12 Years	\$ 265,000
- City	\$ 51,900
Projected Completed Assessed Value and Property Tax Exemption	
*Projected Completed Assessed Value	\$ 20,300,000
Projected Total Taxes to be Exempt over 12 years	\$ 3,925,000
- City	\$ 877,500
Potential Sales Tax Impacts	
**Projected Total Sales Tax Generated over 12 years	\$ 9,390,000
- City	\$ 1,175,000

*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.