



TO: Elizabeth Pauli, City Manager
FROM: Jeff Robinson, Director, Community and Economic Development Department
COPY: Economic Development Committee; Tadd Wille, Deputy City Manager/Committee Executive Liaison; Steve Victor, Deputy City Attorney
PRESENTER: Elly Walkowiak, Community and Economic Development Department & Jennifer Hines, Public Works Department
SUBJECT: Town Center Second Amendment to the Amended and Restated Agreement
DATE: May 11, 2021

PRESENTATION TYPE:
Request for Resolution

SUMMARY:

North America Asset Management Group, LLC (NAAM) is requesting the City Council to approve an assignment of interest in the Purchase, Sale and Development Agreement to Tacoma Town Center Parcels, LLC, its subsidiary, and to one or more Washington limited liability companies formed and controlled by Galena Equity Partners LLC, an Idaho limited liability company. The purpose is to facilitate Opportunity Zone investment and complete buildout of this total \$300 million mixed-use project. Staff will present the specific changes to the ownership structure, buildout, target market, financing, construction timeframe and other information including risk mitigation.

BACKGROUND:

NAAM (Developer) entered into a Purchase, Sale and Development Agreement with the City of Tacoma on August 18, 2015 to redevelop a 6.4-acre City-owned property located between S. 21st to S. 23rd Streets from Jefferson to Tacoma Avenues, directly south of the University of Washington Tacoma, into a mixed-use urban village named Tacoma Town Center. The Developer purchased the property on October 16, 2017, and completed construction of the first apartment building on the site that includes 144 market-rate housing units.

Initially, NAAM committed to using some of its own and EB-5 equity derived from immigrant investors to fund the mixed-use project estimated at \$125 million in 2015. EB-5 had proven to be effective in attracting significant investment capital to projects throughout the U.S. During 2015-2019, the Developer obtained U.S. Customs and Immigration Service approval of the 6.4-acre site to receive EB-5 funding and conducted several investment recruitment trips to China and India. Despite these efforts, it was unable to secure EB-5 funding in part due to program uncertainty prompted by Congressional inaction to extend the program permanently and the lengthy timeframe of up to 8-10 years to obtain U.S. citizenship through investment.



In April 2018, the Community and Economic Development Department (CED) successfully competed for and obtained Opportunity Zone designation for the south downtown Census tract that encompassed the University of Washington Tacoma and the 6.4-acre Tacoma Town Center site. Subsequently, CED staff assisted NAAM by marketing the property for Opportunity Zone investment and forwarded inquiries from potential investors, including Galena Equity Partners LLC, to the Developer to explore mutually beneficial partnerships. NAAM and Galena have now come to an agreement and are requesting the City Council to approve an assignment of interest in the Purchase, Sale and Development Agreement to facilitate Opportunity Zone investment into this total \$300 million mixed-use project.

ISSUE:

This mixed-use project will be delayed further, and the property will continue to be underutilized if the Second Amendment to the Amended and Restated Agreement is not approved.

ALTERNATIVES:

The City Council may elect not to approve the Second Amendment. Subsequently, the City could reacquire the undeveloped property through its rescission rights, issue a Request for Proposals and negotiate a new contract with one or more developers. This action would considerably delay redevelopment and contribute to project cost escalation with no certainty that another developer would construct a project of equal or greater value to the community. Downtown revitalization would lag which would negate livable wage job creation and tax revenue generation.

FISCAL IMPACT:

The total project cost has increased significantly from \$125 million to \$300 million due to cost escalation over time, increased density and a future office development instead of a large retail venue at the southwest corner of S. 21st Street and Jefferson Avenue. In addition, Galena is proposing to purchase Fawcett Avenue between S. 21st and S. 23rd Streets when vacated for \$2.2 million.

RECOMMENDATION:

Staff recommends approval of the Second Amendment to the Amended and Restated Agreement. This \$300 million Town Center mixed-use project will catalyze additional development within the Brewery District adjacent to the University of Washington Tacoma. It will increase downtown residential density, add affordable housing stock, create livable wage jobs, provide additional Class A office space to attract growing companies, and improve Tacoma's investment climate for local, regional, national and international investors.