



TO: Elizabeth Pauli, City Manager
FROM: Jeff Robinson, Director, Community and Economic Development Department
COPY: City Council, City Clerk
SUBJECT: Request to approve third amendment to the Development Agreement – 1210 Tacoma Avenue South – April 16, 2019
DATE: March 25, 2019

SUMMARY:

The Community and Economic Development Department is requesting Council approve the Third Amendment to the Development Agreement with HQC USA LLC, who is developing a mixed use project at 1210 Tacoma Avenue South, a City owned parking lot adjacent to the main library. This estimated \$40 million development will turn an underutilized site into a thriving home for 300 people. It will positively impact development and investment opportunities, increase the City’s tax base and create about 90 full-time construction jobs.

STRATEGIC POLICY PRIORITY:

The Development Agreement that will result in new investment, job creation and greater revenue will align best with the following Council priorities:

- Foster neighborhood, community, and economic development vitality and sustainability, and

In addition, mixed use project will:

- Promote redevelopment of adjacent underdeveloped properties.
- Attract new investment and development interest beyond Tacoma and Pierce County.

BACKGROUND:

On July 27, 2016, the Community and Economic Development Department issued a “Request for Developer Interest” to build a mixed use development at 1210 Tacoma Ave South, a parcel the City had declared surplus. HQC USA LLC responded to the RFI and was chosen as the developer for the site.

On December 22, 2016 a Development agreement was entered into between the City of Tacoma and HQC USA LLC. Since that time the Development agreement has been amended twice in order to better accommodate the first multifamily investment from Vietnam in the USA. Due to the complexity of the foreign financing, construction halted in July of 2018.

ISSUE:

This third development agreement outlines the steps to restart the project in a way that will meet the needs of the community better. The amendment provides greater flexibility with the Development Plan and extends the project schedule. Key amendment provisions are as follows:

- No later than April 30, 2019, Developer must provide a fully executed commitment letter from a lender or equity partner demonstrating that the Developer has secured 100% financing to complete its proposed project on the Property.
- Increase the number of units from 150 to 180.
- Due to the redesign, Developer shall submit for permit revisions to the City by June 4, 2019.
- Developer shall re-commence construction by September 3, 2019.
- Developer shall complete construction and commence operating, having obtained a certificate of occupancy, by December 31, 2020 which is 15 months later than originally anticipated.



ALTERNATIVES:

The City Council may elect not to amend the Development Agreement. However, this action will delay development and downtown revitalization, which will negate investment, job creation and revenue generation.

RECOMMENDATION:

Staff recommends that the City Council to authorize the third amendment to the Development Agreement with HQC USA LLC.

FISCAL IMPACT:

Funds will be needed to administer and implement the Development Agreement.

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
TOTAL			

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
TOTAL			

POTENTIAL POSITION IMPACT: N/A

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
TOTAL			

This section should only be completed if a subsequent request will be made to increase or decrease the current position count.

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: N/A

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED. N/A