



TO: Elizabeth Pauli, City Manager
FROM: Debbie Bingham, Project Manager, Community and Economic Development
Jeff Robinson, Director, Community and Economic Development

COPY: City Council and City Clerk
SUBJECT: Request for Resolution – March 3, 2020
DATE: February 14, 2020

SUMMARY & PURPOSE:

The Community and Economic Development Department is requesting authorizing the appropriate City officials to execute a 12 Year Multifamily Housing Property Tax Exemption Agreement with Koz on MLK Way LLC for the development of 156 multifamily market-rate and affordable rental units at 824 Martin Luther King Jr Way in the Downtown Regional Growth Center.

BACKGROUND

Koz on MLK Way LLC is proposing to develop 156 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 153 units as described in the chart below – as well as three live/work units.

Number of units	Type of Unit	Average Size	Expected Rental Rate
<i>Market Rate</i>			
48	Studio	350	\$950
50	One Bedroom, one bathroom	470	\$1100
20	Two Bedroom, one bathroom	735	\$1450
4	Three Bedroom, one bathroom	960	\$1700
<i>Affordable Rate</i>			
12	Studio	350	\$950
13	One Bedroom, one bathroom	470	\$1284*including utilities
5	Two Bedroom, one bathroom	735	\$1444*including utilities
1	Three Bedroom, one bathroom	960	\$1604*including utilities



Although at this time, the market rate expected rents and the affordable rents are nearly the same and are deemed “affordable”, over the twelve-year exemption as market rate rents increase, the affordable unit will have to continue to comply with the allowable rental rates tied to the 80% of the Pierce County Area Median income as published annually by HUD.

The project will also include 3 live/work units, 31 stalls of parking and 6,500 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. Koz on MLK Way LLC will enter into an agreement prepared by the City to develop the site as described in the plans on file with the City.

COMMUNITY ENGAGEMENT/ (CUSTOMER RESEARCH): December 2019 outreach to multifamily properties show that Tacoma still has a 3% vacancy rate in rental housing, which indicates there is still very much a housing need in Tacoma. New projects coming on line are quickly filled also showing that demand is not slowing. As we add additional units pressure on the market should be relieved and prices should reflect less upward pressure.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility:

These housing units will create more overall housing and more affordable housing units in Tacoma and they ensure that affordability is being created throughout the City of Tacoma and not just in certain areas. Creating market rate and affordable units in the Downtown Regional Growth Center provides accessibility to jobs, transit and other amenities in that district.

Economy/Workforce: *Equity Index Score: Low Opportunity*

Increase the percentage of people relocating to the city and affordability of housing compared to neighboring jurisdictions.

Decrease the number of vacant properties downtown and in the neighborhood business districts.

Livability: *Equity Index Score: Very Low Opportunity*

Decrease the percentage of individuals who are spending more than 45% of income on housing and transportation costs.

This project will guarantee affordable living units in an area of the City with very low opportunity.

STAFF 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.



ALTERNATIVES:

Presumably your recommendation is not the only potential course of action; please discuss other alternatives actions for council or staff to take. Please use table below.

Alternative	Positive Impacts	Negative Impacts
1. Do not approved the exemption		No additional housing units will be created and a vacant back lot will stay underutilized and an attractive nuisance.

EVALUATIONS AND FOLLOW UP:

The development will be tracked as it progresses and once completed will be monitored to ensure the affordability requirements are met for the entire exemption.

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:

Current Land Value Property Tax Projections	
Current Assessed Value	\$ 683,000
Current Total Annual Property Tax	\$ 0
Projected Total Property Tax Payments on Land Value Over 12 Years	\$ 106,000
- City	\$ 24,400
Projected Completed Assessed Value and Property Tax Exemption	
*Projected Completed Assessed Value	\$ 28,600,000
Projected Total Taxes to be Exempt over 12 years	\$ 4,400,000
- City	\$ 1,000,000
Potential Sales Tax Impacts	
**Projected Total Sales Tax Generated over 12 years	\$ 15,064,000
- City	\$ 1,632,000
*** Projected Sales Tax Generated from Construction	\$ 3,400,000
- City	\$ 372,000

*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



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average sales tax revenue generated per household in Tacoma.

***The projected *Sales Tax generated from Construction* is estimated by multiplying the construction costs by the sales tax rate.

ATTACHMENTS:

Map

Agreement