



TO: Elizabeth Pauli, City Manager
FROM: Jeff Robinson, Director, Community and Economic Development
 Debbie Bingham, Project Manager, Community and Economic Development
COPY: City Council and City Clerk
SUBJECT: Request for resolution – April 30, 2019
DATE: April 15, 2019

SUMMARY:

Authorizing the appropriate City officials to amend the previously executed 12 Year Multifamily Housing Property Tax Exemption Agreement with HQC USA LLC for the development of 166 multifamily market-rate units affordable rental units at 1210 Tacoma Avenue South in the Downtown Regional Growth Center to an 8 Year Multifamily Property Tax exemption for 186 units.

STRATEGIC POLICY PRIORITY:

This project will foster neighborhood, community, and economic development vitality and sustainability by providing 186 market-rate housing units, within a designated mixed use center.

BACKGROUND:

HQC USA LLC has changed their funding model for this project. They have added more units to the project and have secured financing through a construction loan. Due to the increased costs of the project, the lender is requiring an all market rate project. The housing will consist of 186 units as described in the chart below.

Number of units	Type of Unit	Size	Expected Rental Rate
13	Studio	450-500 SQFT	\$1200-\$1400
143	One bedroom, one bath	490-1150 SQFT	\$1500-\$1700
14	Two bedroom, one bath	950 SQFT	\$ 2200
16	Two bedroom, two bath	1090 SQFT	\$2400

The project will also include 174 stalls of parking for residents, 40 parking stalls for Library use and 1,000 square feet of commercial space. The project is forwarded to the Pierce County Treasurer Assessor to qualify for the 8-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. HQC USA 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 amendment.

ALTERNATIVES:

If the resolution is not adopted, the tax exemption amendment will not be granted and the developer’s financing will not go forward.

RECOMMENDATION:

Staff has reviewed the situation and recommends that Council approve the amendment, changing the exemption to an 8 Year Multifamily Housing Property Tax Exemption.



FISCAL IMPACT:

While property taxes would be exempted for an 8-year period, the long term revenue of the project would help offset those short term impacts. Throughout the exemption period, the value of the land and the commercial portions would continue to be taxed. Additionally, the projected increases in population from the development will produce additional economic impact through increased 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	\$ 785,000
Current Total Annual Property Tax	\$ 0
Projected Total Property Tax Payments on Land and Retail Space Value Over 8 Years	\$ 114,000
- City	\$ 26,200
Projected Completed Assessed Value and Property Tax Exemption	
*Projected Completed Assessed Value	\$ 35,000,000
Projected Total Taxes to be Exempt over 8 years	\$ 3,630,000
- City	\$ 834,700
Potential Sales Tax Impacts	
**Projected Total Sales Tax Generated over 8 years	\$ 11,970,000
- City	\$ 1,297,000
*** Projected Sales Tax generated from construction	\$ 4,200,000
- City	\$ 455 000

*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.

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