



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 - September 13, 2022
DATE: August 26, 2022

SUMMARY & PURPOSE:

The Community and Economic Development Department is requesting authorizing the appropriate City officials to amend the previously executed 12 Year Multifamily Housing Property Tax Exemption Agreement with Cornus House LLC for the development of 199 multifamily market-rate units affordable rental units at 2502 Pacific Avenue in the Downtown Regional Growth Center to an 8 Year Multifamily Property Tax exemption for 199 units.

BACKGROUND

Pursuant to Res No. 40964, adopted on May 3, 2022, Cornus House executed a 12-year MFTE for the development of 199 multifamily market-rate and affordable rental units at 2502 Pacific Avenue in the Downtown Regional Growth Center. Cornus House LLC has been working diligently to get funding in order and move forward with this project. Unfortunately, based on what is happening in the debt markets, the quickly raising construction costs, to make this project financially feasible, they have had to revert to an all market-rate project. They have been approved for the C-PACER program, one of the first in Pierce County, and will be in a position to being construction as early as November, should this resolution pass.

Table with 4 columns: Number of units, Type of Unit, Average Size, Expected Rental Rates. Rows include Market Rate, 92 Studio units, 94 1 Bedroom units, and 13 2 Bedroom units.

The project will include 1,776 square feet of retail space and 6 parking spaces.

The project will be forwarded to the Pierce County Treasurer Assessor 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. The Community and Economic Development Department has determined that the proposed project has all the necessary qualifications for the 8-year multi-family housing property tax exemption. Cornus House 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): June 2022 Outreach to multifamily properties indicate that Tacoma continues to have only a 3% vacancy rate in rental housing, which indicates there is still a critical housing need in Tacoma. New projects coming on line are quickly leased which also indicates 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 units in Tacoma. Creating units in the Downtown Regional Growth Center provides accessibility to jobs, transit and other amenities in that district.

**Economy/Workforce:** *Equity Index Score: Very 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.

**STAFF RECOMMENDATION:**

Staff has reviewed the application and has determined that the proposed project qualifies for the 8 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 approve 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 it complies with program requirements.

**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	\$ 1,191,600
Current Total Annual Property Tax	\$ 8,500
Projected Completed Assessed Value and Property Tax Exemption	
*Projected Completed Assessed Value	\$ 32,000,000
Projected Total Taxes to be Exempt over 12 years	\$ 5,200,000
- City	\$ 1,050,000
Potential Sales Tax Impacts	
**Projected Total Sales Tax Generated over 12 years	\$ 16,800,000
- City	\$ 2,150,000
*** Projected Sales Tax Generated from Construction	\$ 3,264,000
- City	\$ 416,000

\*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.

**ATTACHMENTS:**

- Map
- Agreement