



**TO:** T.C. Broadnax, City Manager  
**FROM:** Martha Anderson, Assistant Director, Community and Economic Development Department  
Ricardo Noguera, Community and Economic Development Department  
**COPY:** City Council; City Clerk  
**SUBJECT:** **Resolution – Purchase and Sale and Development Agreement between City of Tacoma and North America Asset Management Group, LLC – June 14, 2016**  
**DATE:** June 8, 2016

**SUMMARY:**

The City entered into a Purchase and Sale and Development agreement with North America Asset Management LLC (NAAM) August 18, 2015 for City property at the proximate location of South 21<sup>st</sup> to 23<sup>rd</sup> and Jefferson St. to Tacoma Ave. The agreement provides performance dates and development parameters. One of the requirements is ratification by City Council prior to closing. In addition, the agreement is being amended to reflect new performance dates and phasing.

**STRATEGIC POLICY PRIORITY:**

This project is aligned with the following Council strategic policy priority:

- Foster a vibrant and diverse economy with good jobs for all Tacoma residents

**BACKGROUND:**

The property was acquired in parcels from 1998–2002 using approximately \$4.1 million in proceeds from a 1997 sale of tax-exempt bonds (1997B). The amount currently outstanding on the 1997B bonds is approximately \$7.7 million (principal and interest) and they are due to be paid off by 2018. The same land secures a \$4.2 million General Fund loan which was made to the Police Department in 2005 for capital construction. The interest due on this loan has been paid annually, however the principal amount of \$4.2 million is still outstanding. Finally, there is an outstanding loan from the Open Space Fund of approximately \$175,000 (principal and interest).

The City issued a RFP in May, 2013 for acquisition and development of these properties. At that time the City did not receive a responsive proposal. City staff continued to market the property to a variety of potential investors/developers based on the response requirements of the original RFP which includes items such as project description, background and qualifications of the development team, design concept, proposed mix of uses, financing and development timeline. In early 2015 the City received two proposals. A proposal review team met and recommended selection of NAAM led by Mr. Xun Kun Luo, a successful real estate developer from Wuhan, China.

The development will include a minimum of 570,000 square feet of development to be constructed in two phases as follows:



Phase I must include, at a minimum, the following:

- 180 residential units,
- 200,000 sq. ft. retail space
- 30,000 sq. ft. of commercial space
- 380 parking stalls

Phase II must include at a minimum, the following:

- 180 residential;
- a minimum of 30,000 SF commercial space, with a target of 60,000 SF commercial space; and
- 100 parking stalls

**ISSUES:**

NAAM has met a sufficient number of the requirements in the agreement, has waived feasibility and has paid a total of \$875,000 in non-refundable deposit. The City staff recommends Council approval of the agreement. Council approval is one of the requirements prior to closing on the purchase.

Because the land was purchased with proceeds of tax-exempt bonds, the disposition of the asset (land) is subject to restrictions imposed by the U.S. tax code. If the City disposes of the land, it constitutes, under IRS rules, a “change in use” from the purpose for which the bonds were issued. A change in use, combined with title transfer to a for-profit entity, will cause the bonds to be taxable from their date of issue, assuming they pass certain private use thresholds. This is because there are limitations on the amount of tax-exempt subsidy which may be transferred to a nongovernmental purpose entity. To avoid the negative tax implications attributable to “private activity bonds” the City has two options. The first option is to pay off the amount of the bonds attributable to the purchase of the land. A second option is to apply the sale proceeds to another capital project of the City.

**ALTERNATIVES:**

Not approving the agreement will delay the developer’s ability to secure additional investors and secure firm commitments from tenants.

**RECOMMENDATION:**

It is recommended that the City Council approve this agreement.

**FISCAL IMPACT:**

Purchase price of the property is \$3,451,228 based on March, 2015 appraisal. Since the sale amount of this property is less than the amount of the various loans that are secured by this property, it will result in a loss to the General Fund. In addition, any proceeds from the sale of this property must be used to either retire outstanding bonds or for another qualified public capital purpose of the City.



**EXPENDITURES: N/A**

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
010 General Fund	Loan- needs to be paid off/written-off	1820010	\$4,200,000
1195-Open (Open Space)	Loan- needs to be paid off/written-off	1820000	\$177,000 (approx.principal & interest)
<b>TOTAL</b>			

\* General Fund: Include Department

**REVENUES:**

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
General Fund-0010 (Sale Proceeds)	651000	6411030	\$3,451,228
<b>TOTAL</b>			<b>\$3,451,228</b>

**POTENTIAL POSITION IMPACT: N/A**

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
<b>TOTAL</b>			

*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: Net Revenue is \$0.00**

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED: NO**