



**TO:** Elizabeth Pauli, Interim City Manager  
**FROM:** Ricardo Noguera, Director, Community and Economic Development  
 Debbie Bingham, Economic Development Specialist, Community and Economic Development  
**COPY:** City Council and City Clerk  
**SUBJECT:** Request for resolution– May 2, 2017  
**DATE:** April 14, 2017

**SUMMARY:**

Authorizing the appropriate City officials to execute a 12 Year Multifamily Housing Property Tax Exemption Agreement with Novotny, Inc. for the development of 12 multifamily market-rate and affordable rental units at 7602 Pacific Avenue in the 72<sup>nd</sup> and Pacific Avenue Mixed Use Center.

**STRATEGIC POLICY PRIORITY:**

This project will foster neighborhood, community, and economic development vitality and sustainability by providing 12 housing units within a designated mixed use center.

**BACKGROUND:**

Novotny, Inc. is proposing to develop 12 new market rate and affordable rental units in the 72nd and Pacific Avenue Mixed Use Center as described in Exhibit “A” to the Resolution. Twenty percent of each type of unit will qualify as affordable. The housing will consist of 12 units as described in the chart below.

| Number of units | Type of Unit                   | Size | Expected Rental Rate |
|-----------------|--------------------------------|------|----------------------|
| 7               | One bedroom, one bath          | 800  | \$1000               |
| 5               | Two bedroom, one and half bath | 900  | \$1250               |

The project will also include 12 stalls of parking. The Community and Economic Development Department has determined that the proposed project qualifies for the 12 year multi-family housing property tax exemption. Novotny, Inc. 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 agreement.

**ALTERNATIVES:**

If the resolution is not adopted, the tax exemption will not be granted and the developer has stated that the exemption is necessary to make the project feasible.

**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.

**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:

| <b>Current Land Value Property Tax Projections</b>                   |              |
|--|--------------|
| Current Land Assessed Value  | \$ 158,300   |
| Current Total Annual Property Tax                                    | \$ 2,548     |
| Projected Total Property Tax Payments on Land Value Over 12 Years    | \$ 30,580    |
| - City   | \$ 6,840     |
| <b>Projected Completed Assessed Value and Property Tax Exemption</b> |              |
| *Projected Completed Assessed Value                                  | \$ 1,400,000 |
| Projected Total Taxes to be Exempt over 12 years                     | \$ 270,500   |
| - City   | \$ 60,500    |
| <b>Potential Sales Tax Impacts</b>                                   |              |
| **Projected Total Sales Tax Generated over 12 years                  | \$ 741,500   |
| - City   | \$ 92,700    |

\*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.