



# Town Center Contract Amendment

City of Tacoma | Community & Economic Development

Economic Development Committee

May 11, 2021

Item #2



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## OVERVIEW



- Approve assignment of interest in Town Center contract from North America Asset Management (NAAM-Developer) to Galena Equity Partners
- Facilitate Opportunity Zone investment to complete buildout of \$300+ million mixed-use project

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# TACOMA TOWN CENTER



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# AGENDA



- Context
- Issues
- Contract Revisions
- Next Steps
- Recommendation



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## BACKGROUND



- **August 28, 2015:** NAAM entered into Development Agreement to redevelop 6.4-acre City-owned property at S. 21<sup>st</sup> to S. 23<sup>rd</sup> Streets from Jefferson to Tacoma Avenues
- **October 16, 2017:** NAAM purchased the property to develop Tacoma Town Center mixed-use urban village
- **March 2021:** NAAM completed construction of 144 market-rate apartments (Building 2)

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## BACKGROUND



- **2015-2019:** USCIS approved NAAM's EB-5 application, but attempts to raise EB-5 capital were unsuccessful
- **April 2018:** Governor designated south downtown Census tract and five others as Opportunity Zones
- **2018-2021:** CED marketed these Opportunity Zones, including the Town Center, for reinvestment

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## ISSUES



- Developer needs substantial equity to complete buildout
- Project costs have escalated due to project redesign and increased charges for materials over the years
  - \$125 million in 2015; \$300+ million in 2021
- Further delays will occur without imminent investment
- Property will continue to be underutilized negating livable wage job creation and tax revenue generation

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## PROPOSED REVISIONS: OWNERSHIP



- NAAM would retain sole ownership of Building 2 (144 units)
- NAAM would convey remaining undeveloped property to its subsidiary, Tacoma Town Center Parcels, LLC (TTC)
- TTC would assign its interest to one or more WA LLCs formed and controlled by Galena Equity Partners

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## PROPOSED REVISIONS: BUILDOUT



RESTATED AGREEMENT (MIN. REQUIREMENTS)	SECOND AMENDMENT	NAAM (COMPLETED)	GALENA (MIN. REQUIREMENTS)
600 market-rate housing units No affordable housing units	502 market-rate housing units 98 affordable housing units	144 market-rate housing units	358 market-rate housing units 98 affordable housing units
20,000 gross sf mixed-use retail	36,000 gross sf mixed-use retail	6,000 gross sf mixed-use retail	30,000 gross sf mixed-use retail
180,000 gross sf stand-alone retail	No stand-alone retail	N/A	N/A
50,000 gross sf office	200,000 gross sf office	N/A	200,000 gross sf office
600 parking stalls	600 parking stalls	100 parking stalls	500 parking stalls

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## PROPOSED REVISIONS: MARKET



SECOND AMENDMENT	NAAM (COMPLETED)	GALENA (PROPOSED)	TOTAL
502 market-rate housing units <b>98 affordable housing units</b>	144 market-rate housing units	393 market-rate housing units 98 affordable housing units	<b>537 market-rate housing units</b> <b>98 affordable housing units</b>
36,000 gross sf mixed-use retail	6,000 gross sf mixed-use retail	30,000 gross sf mixed-use retail	<b>36,200 gross sf mixed-use retail</b>
No stand-alone retail	N/A	N/A	<b>N/A</b>
<b>200,000 gross sf office</b>	N/A	200,000 gross sf office	<b>200,000 gross sf office</b>
600 parking stalls	100 parking stalls	500 parking stalls	<b>1,000 parking stalls</b>

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## ● ● ● PROPOSED REVISIONS: PHASING



**S. 21<sup>st</sup> to S. 23<sup>rd</sup> Streets from Jefferson to Tacoma Avenues**

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## ● ● ● PROPOSED REVISIONS: FINANCING

PHASE/ BUILDING	LOCATION	UNITS/SF/OTHER	ESTIMATED COST
1A – Bldg. 2	NW 23 <sup>rd</sup> & Jefferson	144 apartments	\$ 39.0 million
1B – Bldg. 3	SW 21 <sup>st</sup> & Fawcett	119 apartments	40.0 million
1B – Bldg. 4	NW 23 <sup>rd</sup> & Fawcett	120 apartments	40.0 million
2A – Bldg. 5	SE 21 <sup>st</sup> & Tacoma	126 apartments	42.5 million
2A – Bldg. 6	NE 23 <sup>rd</sup> & Tacoma	126 apartments	42.5 million
2B – Bldg. 1	SW 21 <sup>st</sup> & Jefferson	200,000 sf office	90.0 million
<b>All phases</b>		Infrastructure	6.5 million
<b>All phases</b>		Public Plaza/Benefits	2.5 million
<b>TOTAL</b>			<b>\$303.0 million</b>

Funded 50% equity from successors in interest and a bond/equity fund and 50% construction debt

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## PROPOSED REVISIONS: SCHEDULE



<i>PHASE/BUILDING</i>	<i>COMMENCE CONSTRUCTION</i>	<i>COMPLETE CONSTRUCTION</i>
<b>1A</b> – Building 2	2018	March 2021
<b>1B</b> – Building 3	September 30, 2021	December 31, 2023
<b>1B</b> – Building 4	July 31, 2021	December 31, 2023
<b>2A</b> – Building 5	September 30, 2022	April 30, 2023
<b>2A</b> – Building 6	September 30, 2022	April 30, 2023
<b>2B</b> - Building 1	September 30, 2023	December 31, 2025
<b>Public Plaza</b>	September 30, 2023	December 31, 2025

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## PROPOSED REVISIONS: RISK MITIGATION



- Discretionary rescission rights enable the City to reacquire property at pro-rated price of \$45/sf for Developer's failure to perform:
  - Lack of or insufficient financing evidence
  - Significant project construction and completion delays
- Remedies allow options to cure default if necessary and effect positive outcome

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## PROJECT BENEFITS



- Catalyze additional development adjacent to UWT
- Increase downtown residential density
- Add affordable housing
- Create livable wage jobs
- Provide additional Class A office space to growing companies
- Improve Tacoma's investment climate

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## NEXT STEPS



- **May 11, 2021:** Economic Development Committee Review
- **May 25, 2021:** City Council Consideration
- **June 2021:** Projected Title Transfer

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## RECOMMENDATION



- Staff recommends that the Economic Development Committee forward the contract amendment to City Council for consideration and approval

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