



TO: Elizabeth Pauli, City Manager
FROM: Debbie Bingham, Economic Development Specialist, Community and Economic Development
 Jeff Robinson Director, Community and Economic Development
COPY: City Council and City Clerk
SUBJECT: Request for resolution– October 2, 2018
DATE: September 17, 2018

SUMMARY:

Authorizing the appropriate City officials to execute a 12 Year Multifamily Housing Property Tax Exemption Agreement with LWBG INVESTMENTS INC for the development of 18 multifamily market-rate and affordable rental units at 705 South I Street in the Downtown Regional Growth Center.

STRATEGIC POLICY PRIORITY:

This project will foster neighborhood, community, and economic development vitality and sustainability by providing 18 market rate and affordable rental housing units within a designated mixed use center.

BACKGROUND:

LWBG INVESTMENTS INC is proposing to develop 18 new market-rate and affordable rental units in the Downtown Regional Growth Center as described in Exhibit “A” to the Resolution. The housing will consist of 18 units as described in the chart below.

Number of units	Type of Unit	Average Size	Expected Rental Rate
<i>Market Rate</i>			
2	Studio	390 SQFT	\$1000
11	One bedroom, one bath	400 SQFT	\$1200
<i>Affordable Rate</i>			
2	Studio	373 SQFT	\$1044* with utilities
3	One bedroom, one bath	500 SQFT	\$1192* with utilities

Although at this time, the market rate expected rents and the affordable rents are the same and are deemed “affordable”, over the twelve-year exemption as market rate rents increase, the three affordable units will have to continue to comply with the allowable rental rates tied to the 80% of the Pierce County Area Median income as published annually by HUD.

The project will also include 3 stalls of parking. The project will be forwarded to the Pierce County Treasurer Assessor for the 12 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 12 year multi-family housing property tax exemption. LWBG INVESTMENTS 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:

Current Land Value Property Tax Projections	
Current Assessed Value	\$ 149,000
Current Total Annual Property Tax	\$ 2,350
Projected Total Property Tax Payments on Land Value Over 12 Years	\$ 28,250
- City	\$ 3,400
Projected Completed Assessed Value and Property Tax Exemption	
*Projected Completed Assessed Value	\$ 950,000
Projected Total Taxes to be Exempt over 12 years	\$ 183,500
- City	\$ 41,000
Potential Sales Tax Impacts	
**Projected Total Sales Tax Generated over 12 years	\$ 1,110,000
- City	\$ 139,000

*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.