



**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 – December 1, 2020  
**DATE:** November 12, 2020

**SUMMARY & PURPOSE:**

The Community and Economic Development Department is requesting authorizing the appropriate City officials to execute a 8 Year Multifamily Housing Property Tax Exemption Agreement with CR Chelsea Heights Communities LLC for the development of 19 multifamily market-rate units at 603 S J Street in the Downtown Regional Growth Center.

**BACKGROUND**

CR Chelsea Heights Communities LLC is proposing to develop 19 new market-rate units in the Downtown Regional Growth Center as described in Exhibit “A” to the Resolution. These new 19 units will be taking the place of commercial space within the Chelsea Heights project. The housing will consist of 19 units as described in the chart below.

Number of units	Type of Unit	Average Size	Expected Rental Rate
<i>Market Rate</i>			
19	One Bed, One Bath	578	\$1300

The project will be forwarded to the Pierce County Treasurer Assessor for the Eight 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. CR Chelsea Heights Communities 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):** September 2020 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 and they ensure that affordability is being created throughout the City of Tacoma and not just in certain areas. Creating market rate units in the Downtown Regional Growth Center provides accessibility to jobs, transit and other amenities in that district.

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

This project will increase the number of living units in an area of the City with very low opportunity.

**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 approved 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 the requirements are met for the entire exemption.

**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	\$ 26,000,000
Current Total Annual Property Tax	\$ 337,000
Projected Total Property Tax Payments Over 8 Years	\$ 2,700,000



- City	\$ 620,000
<b>Projected Completed Assessed Value and Property Tax Exemption</b>	
*Projected Completed Assessed Value	\$ 28,700,000
Projected Total Taxes to be Exempt over 8 years	\$ 280,000
- City	\$ 64,000
<b>Potential Sales Tax Impacts</b>	
**Projected Total Sales Tax Generated over 8 years	\$ 1,300,000
- City	\$ 143,500
*** Projected Sales Tax Generated from Construction	\$ 324,000
- City	\$ 35,000

\*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