



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 -March 24, 2020
DATE: March 9, 2020

SUMMARY & PURPOSE:

The Community and Economic Development Department is requesting appropriate City officials to execute an 8 Year Multifamily Housing Property Tax Exemption Agreement with ADG MLK, LLC for the development of 283 multifamily market-rate units and 6 live work units at 1011 Martin Luther King Jr. Way in the Downtown Regional Growth Center.

BACKGROUND

ADG MLK, LLC is proposing to develop 283 new market-rate rental units in the Downtown Regional Growth Center as described in Exhibit "A" to the Resolution. The housing units are as described in the chart below.

Table with 4 columns: Number of units, Type of Unit, Average Size, Expected Rental Rate. Rows include Market Rate, 172 Studio, 102 One bedroom, one bath, and 9 Two bedroom, two bath.

The project will also include six live/work units, 18,000 square feet of commercial space, 189 stalls of residential parking and 59 non-residential stalls. The project will be forwarded to the Pierce County Treasurer Assessor for the 8 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.

COMMUNITY ENGAGEMENT/ (CUSTOMER RESEARCH):

4th Quarter 2019 outreach to multifamily properties show that Tacoma still has a 3% vacancy rate in rental housing, which indicates there is still very much a housing need in Tacoma. New projects coming on line are quickly filled also showing 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 and more affordable 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 and affordable 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*

Increase the number of Complete Compact Communities/ 20-Minute Neighborhoods throughout the city.

This project adds much needed infill housing in an area of the City which is very close to jobs, transit, schools, and retail activity.

**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

**EVALUATIONS AND FOLLOW UP:**

The development will be tracked as it progresses and once completed will be annually monitored to ensure it complies with program requirements.

**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	\$ 829,000
Current Total Annual Property Tax	\$ 13,900
Projected Total Property Tax Payments on Land Value Over 8 Years	\$ 85,900
- City	\$ 19,800
Projected Completed Assessed Value and Property Tax Exemption	
*Projected Completed Assessed Value	\$ 55,000,000
Projected Total Taxes to be Exempt over 8 years	\$ 5,700,000
- City	\$ 1,300,000
Potential Sales Tax Impacts	
**Projected Total Sales Tax Generated over 8 years	\$ 18,200,000
- City	\$ 1,980,000
*** Projected Sales Tax Generated from Construction	\$ 6,600,000
- City	\$ 715,000

\*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