



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 –August 25, 2020
DATE: August 10, 2020

SUMMARY & PURPOSE:

Authorizing the appropriate City officials to amend the previously executed 8 Year Multifamily Housing Property Tax Exemption Agreement with Primero Courtyards LLC for the development of 20 multifamily market-rate units at 3715 McKinley Avenue in the McKinley Mixed Use Center to a 12 Year Multifamily Property Tax exemption for 20 units.

BACKGROUND

Originally, Primero Courtyards LLC was planning a fully market rate project and applied for the eight year property tax exemption, however they have decided that they would like to commit to having 20% of their units be affordable and are therefore requesting a change to a twelve year exemption. This would require that four of the 20 units be rented to households who earn 80% or less of the area median income and that the rental rates be no greater than 30% of the monthly AMI limit.

The project consists of 20 one bedroom, one bathroom units of 400 square feet. For 2020, the four units that will be required to stay at 80% AMI will have a maximum rent of \$1385 per month- as set by the Department of Housing and Urban Development (HUD), which includes a utility allowance.

Although at this time, the expected market-rate rents and the affordable rents are nearly the same and are deemed “affordable,” over the 12-year exemption period, as the market-rate rents increase, the four affordable units will continue to comply with the allowable affordable rates.

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. Primero Courtyards 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):

June 2020 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 McKinley Mixed Use Center provides accessibility to jobs, transit and other amenities in that district.

Economy/Workforce: *Equity Index Score: Very 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 housing, including affordable housing, in an area of the City which has very little multifamily housing and has a high percentage cost burdened households.

STAFF 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.

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 affordable 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 and Retail Property Tax Projections	
Current Assessed Value	\$ 179,000
Current Total Annual Property Tax	\$ 2,300
Projected Total Property Tax Payments on Current Property Value Over 12 Years	\$ 27,860
- City	\$ 6,400
Projected Completed Assessed Value and Property Tax Exemption	
*Projected Completed Assessed Value	\$ 2,500,000
Projected Total Taxes to be Exempt over 12 years	\$ 389,000
- City	\$ 89,400
Potential Sales Tax Impacts	
**Projected Total Sales Tax Generated over 12 years	\$ 1,930,000
- City	\$ 209,000
***Projected Sales Tax generated from construction	\$ 300,000
- City	\$ 32,500

*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