



TO: Elizabeth Pauli, City Manager
FROM: Elly Walkowiak, Assistant Director, Community and Economic Development
Jennifer Hines, Assistant Division Manager, Real Property Services
Jeff Robinson, Director, Community and Economic Development
COPY: City Council and City Clerk
SUBJECT: Resolution – Town Center Second Amendment to Amended and Restated Agreement –
May 25, 2021
DATE: May 19, 2021

SUMMARY AND PURPOSE:

A resolution is requested authorizing the City Council to approve an assignment of interest in the Purchase, Sale and Development Agreement from North America Asset Management Group, LLC (NAAM) to Tacoma Town Center Parcels, LLC, its subsidiary, and to one or more Washington limited liability companies formed and controlled by Galena Equity Partners LLC, an Idaho limited liability company. The purpose is to facilitate Opportunity Zone investment and complete buildout of this total \$300+ million mixed-use project located directly south of the University of Washington Tacoma.

BACKGROUND:

NAAM (Developer) entered into a Purchase, Sale and Development Agreement with the City of Tacoma on August 18, 2015 to redevelop a 6.4-acre City-owned property located between S. 21st to S. 23rd Streets from Jefferson to Tacoma Avenues, directly south of the University of Washington Tacoma, into a mixed-use urban village named Tacoma Town Center. The Developer purchased the property on October 16, 2017, and completed construction of the first apartment building on the site in March 2021 that includes 144 market-rate housing units.

Initially, NAAM committed to using some of its own and EB-5 equity derived from immigrant investors to fund the mixed-use project estimated at \$125 million in 2015. EB-5 had proven to be effective in attracting significant investment capital to projects throughout the U.S. During 2015-2019, the Developer obtained U.S. Customs and Immigration Service approval of the 6.4-acre site to receive EB-5 funding and conducted several investment recruitment trips to China and India. Despite these efforts, it was unable to secure EB-5 funding in part due to program uncertainty prompted by Congressional inaction to extend the program permanently and the lengthy timeframe of up to 8-10 years to obtain U.S. citizenship through investment.

In April 2018, the City successfully competed for and obtained Opportunity Zone designation for the south downtown Census tract that encompasses the University of Washington Tacoma and the 6.4-acre Tacoma Town Center site. Subsequently, CED staff assisted NAAM by marketing the property for Opportunity Zone investment and forwarded inquiries from potential investors, including Galena Equity Partners LLC, to the Developer to explore mutually beneficial partnerships. NAAM and Galena have now come to an agreement and are requesting the City Council to approve an assignment of interest in the Purchase, Sale and Development Agreement to facilitate Opportunity Zone investment into this total \$300+ million mixed-use project.



Key provisions of the Town Center Second Amendment to the Amended and Restated Agreement are as follows:

1. North America Asset Management Group, LLC (NAAM) would retain sole ownership of Building 2 located at the northwest corner of S. 23rd Street and Jefferson Avenue. Pending Council approval of an assignment of interest, NAAM would convey the remaining undeveloped property to its subsidiary, Tacoma Town Center Parcels, LLC, which would assign its interest to one or more Washington limited liability companies formed and controlled by Galena Equity Partners LLC, an Idaho limited liability company.
2. Residential density of at least 600 housing units would be maintained or exceeded. The existing contract does not require affordable housing units. NAAM completed 144 market-rate units. The Second Amendment would require Galena to construct at least 456 residential units, of which a minimum of 98 affordable housing units at or below 80% AMI must be constructed. No stand-alone retail space would be built. Mixed-use retail/commercial space would be increased from 20,000 square feet to 36,000 square feet, and required office space would be enlarged from 50,000 square feet to 200,000 square feet. The number of required parking stalls would remain at 600. Galena intends to construct approximately 1,000 parking stalls to accommodate market demand generated by residential use and a much larger office building. These changes support Council’s priorities of developing a greater number of affordable housing units and enabling the creation of livable wage jobs in the office sector with a potential nexus to the University of Washington Tacoma located directly north of the Tacoma Town Center.
3. NAAM has invested approximately \$39 million into developing Building 2 (144 market-rate apartment units) at the northwest corner of S. 23rd Street and Jefferson Avenue. Galena plans to invest an additional \$264 million into the Tacoma Town Center. The project will be funded through creation of a Qualified Opportunity Zone Fund with 50% equity from successors in interest and a bond/equity fund and 50% construction debt.
4. The existing agreement is in default regarding construction deadlines, which are modified as noted below.

Action	Amended and Restated Agreement	Second Amendment to Amended and Restated Agreement
Complete Phase 1A: Building 2	August 15, 2019	March 2021
Commence Phase 1B: Buildings 3&4 Complete Phase 1B: Buildings 3&4	February 15, 2019 November 5, 2020	July 31/September 30, 2021 July 31/September 30, 2023
Commence Phase 2: Buildings 1,5&6	May 31, 2021	Buildings 5&6: September 30, 2022 Building 1: September 30, 2023 Public Plaza: September 30, 2023
Complete Phase 2: Buildings 1,5&6 and Public Plaza	November 30, 2022	Buildings 5&6: September 30, 2023 Building 1: May 31, 2025 Public Plaza: May 31, 2025



The entire buildout is anticipated to be completed approximately two and one-half years later than identified in the Amended and Restated Agreement. The City Manager is provided with the authority to approve modifications to the schedule especially in cases where the project is delayed due to prolonged construction of public infrastructure improvements that affect site development.

5. The City will retain its discretionary rescission rights to reacquire property at the pro-rated price of \$45/sf for the Developer's failure to perform, such insufficient financing or encountering significant project construction and completion delays. Remedies are outlined in the Amended and Restated Agreement to cure the default if necessary and effect a positive outcome.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

There is a critical shortage of affordable housing available in Tacoma to meet the needs of its working population, students and retirees as identified in the Affordable Housing Action Strategy. In addition, insufficient new Class A office space exists to accommodate the needs of growing companies and enable creation of livable wage jobs. The Tacoma Town Center project will assist in satisfying these needs consistent with Council priorities.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility: (Mandatory)

New affordable and market-rate housing as well as Class A office space proximate to public transit in the Downtown Regional Growth Center will provide accessibility to livable wage jobs, educational opportunities and other amenities that will contribute toward reducing racial and other inequities and enhance the quality of life for underserved communities.

Economy/Workforce: Equity Index Score: Very Low Opportunity

Increase the number of diverse livable wage jobs.

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.

Explain how your legislation will affect the selected indicator(s).

The Tacoma Town Center project will offer affordable housing options in an area of the downtown currently with very low opportunity, reduce blight and enable the creation of livable wage jobs.



ALTERNATIVES:

Presumably, your recommendation is not the only potential course of action; please discuss other alternatives or actions that City Council or staff could take. Please use table below.

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Do not approve the Second Amendment	N/A	Would considerably delay redevelopment and contribute to project cost escalation with no certainty that another developer would construct a project of equal or greater value to the community
2. Reacquire the undeveloped property, issue an RFP and negotiate a new contract with one or more developers	May result in development of an acceptable project	Would considerably delay redevelopment and contribute to project cost escalation with no certainty that another developer would construct a project of equal or greater value to the community; would need to secure funding for the reacquisition

EVALUATION AND FOLLOW UP:

Staff will review Developer quarterly reports to ascertain project progress as well as ensure compliance with the Amended and Restated Agreement. Upon completion, the residential portion of the development will be monitored to confirm that affordability requirements are being met to qualify for the Multi-Family Property Tax Exemption.

STAFF RECOMMENDATION:

Staff recommends approval of the Second Amendment to the Amended and Restated Agreement. This \$300+ million Town Center mixed-use project will catalyze additional development within the Brewery District adjacent to the University of Washington Tacoma. It will increase downtown residential density, add affordable housing stock, create livable wage jobs, provide additional Class A office space to attract growing companies, and improve Tacoma’s investment climate for local, regional, national and international investors.



FISCAL IMPACT:

Please provide a short summary of the fiscal impacts associated with the grant, agreement, policy action, or other action.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. N/A			
2.			
TOTAL			

What Funding is being used to support the expense? N/A

Are the expenditures and revenues planned and budgeted in this biennium's current budget?

Choose an item.

Please enter Explanation.

Are there financial costs or other impacts of not implementing the legislation?

No

Will the legislation have an ongoing/recurring fiscal impact?

No

Will the legislation change the City's FTE/personnel counts?

No

Please enter Explanation.

ATTACHMENTS:

List attachments using bullet points.