



TO: Elizabeth Pauli, City Manager
FROM: Patricia Beard, Business Development Manager, Community and Economic Development
Jennifer Hines, Assistant Division Manager, Public Works Real Property Services
Jeff Robinson, Director, Community and Economic Development
COPY: City Council, Deputy City Manager and City Clerk
SUBJECT: Request for Resolution Amending Purchase and Sale and Development Agreements by and between the City of Tacoma and Foss Harbor, LLC for Sites 9 and 10 on the Foss Waterway, and seeking approval of a related lease of a portion of the Municipal Dock to Foss Harbor, LLC - 3/7/2023
DATE: 2/28/2023

SUMMARY & PURPOSE:

The Community and Economic Development Department is requesting approval of a proposed Amendment to the Purchase and Sale Agreement for Sites 9 and 10 on the Foss Waterway with Foss Harbor, LLC. The Purchase and Sale Agreement was executed on July 27, 2022. The Purchase and Sale Agreement incorporates a Development Agreement pertaining to Sites 9, 10 and 11 on the Foss Waterway. As part of the same transaction, the Department requests approval of a lease with Foss Harbor, LLC for a portion of the Municipal Dock which is also contemplated in the Development Agreement pertaining to Sites 9, 10 and 11.

BACKGROUND:

The City Council approved a Purchase and Sale Agreement and Development Agreement for Sites 9 and 10 on the Foss Waterway, which was executed on July 27, 2022. Among the terms, the Agreements called for 120 business days of due diligence and for the City to construct a new sea wall on Site 10.

Construction of the seawall was completed by the City in 2022 and resulted a reconfiguration of Site 10 by relocating the shoreline. Foss Harbor has requested additional time during which to modify site designs to accommodate the revised site. Staff is recommending that six months be added to the due diligence period originally approved for the project to allow time for a redesign of the Site 10 project.

The Purchase and Sale Agreement also incorporates a Development Agreement pertaining to Sites 9, 10 and 11 on the Foss Waterway. As part of the development plan, the Development Agreement contemplates the continued leasing of a portion of the Municipal Dock to Foss Harbor, LLC. The proposed lease has an initial term of ten (10) years. The lease is tied to Foss Harbor LLC's fulfillment of its obligation under the Development Agreement. So long as Foss Harbor LLC is in compliance with its Development Agreement obligations, it may extend the lease six (6) times for periods of five (5) years each. If Foss Harbor fails to meet its obligations under the Development Agreement, the lease may be terminated.

COMMUNITY ENGAGEMENT/CUSTOMER RESEARCH):

Foss Harbor, LLC, under a different legal name, was selected for the proposed development project through a publicly advertised Request for Proposals/Qualifications Process conducted by the Foss Waterway Development Authority under its policies and practices.



2025 STRATEGIC PRIORITIES:

- **Equity and Accessibility:** *Equity Index Score:* High Opportunity
The Purchase and Sale Agreement provides the future opportunity to expand access to the Waterway due to City development requirements for a public Esplanade and other offsite improvements. The project will extend the public waterfront Esplanade connecting it to Thea’s Park to the north, improving access to those with disabilities, young children, and the elderly. It will also beautify and improve view corridors within the project, further inviting the larger community to enjoy Tacoma’s restored Foss Waterway. The Development Agreement further provides that the developer will encourage contractors and sub-contractors building the project to comply with the City’s 15-percent LEAP (“Local Employment Apprenticeship Program”) participation goal.

Economy/Workforce: *Equity Index Score:* High Opportunity

Increase the number of infrastructure projects and improvements that support existing and new business developments.

Decrease the number of vacant properties downtown and in the neighborhood business districts.

Livability: *Equity Index Score:* High Opportunity

Increase positive public perception of safety and overall quality of life.

This Purchase and Sale and Development Agreements will increase the likelihood of continuing redevelopment of formerly hazardous and currently under-utilized sites on the downtown waterfront.

STAFF RECOMMENDATION:

The recommendation is to:

- Approve the Amendment to the Purchase and Sale Agreement.

ALTERNATIVES:

Alternatives.

| Alternative | Positive Impacts | Negative Impacts |
|--|---|--|
| 1. Do not approve the Amendment and Lease. | Preserve flexibility to obtain a different buyer through issuance of a new RFP. | Without the Amendment, the developer must decide to move forward or abandon the project in March, 2023 with insufficient time to revise plans for Site 10. |

EVALUATIONS AND FOLLOW UP:

The City will closely monitor milestones required in the Purchase and Sale Agreement and accompanying Development Agreement with the intent to enforce all terms.

FISCAL IMPACT:

The City will receive \$1,979,000 for deposit into the General Fund and will be applied to the repayment of the outstanding loan balance of \$2,456,525 million. The developer will commence paying annual assessments for the properties to the Foss Waterway Owners Association, currently paid by the City. At closing, the City will stop receiving current lease revenues on Sites 9 and 10.



City of Tacoma

City Council Action Memorandum

ATTACHMENTS:

Proposed First Amendment to Purchase and Sale Agreement and Municipal Dock lease.