



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 - January 11, 2022
DATE: December 9, 2021

SUMMARY & PURPOSE:

Authorizing the appropriate City officials to amend the previously executed 8 Year Multifamily Housing Property Tax Exemption Agreement with Ethos Development LLC for the development of 188 multifamily market-rate units at 1402 Tacoma Avenue S. in the Downtown Regional Growth Center to a 12 Year Multifamily Property Tax exemption for 160 market rate and affordable rate units.

BACKGROUND

Originally, Ethos Development 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. As the project has moved through permitting, the unit number and mix has changed slightly as well. This change to a 12-year exemption would require that 32 of the 160 units be rented to households who earn 80% or less of the family median income. The housing be 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 and Affordable Rate categories with specific unit counts and details.



The project will also include 59 parking stalls. 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. Ethos Development 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 2021 Outreach to multifamily properties indicate that Tacoma continues to have only a 2% 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 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:* Moderate 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:* Moderate Opportunity

Decrease the percentage of individuals who are spending more than 45% of income on housing and transportation costs.

This project will guarantee affordable living units in an area of the City with moderate opportunity.

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
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1. Do not approve the exemption		No additional housing units will be created and a vacant back lot will stay underutilized and an attractive nuisance.
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EVALUATIONS AND FOLLOW UP:

The development will be tracked as it progresses and once completed will be monitored to ensure the affordability 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	\$ 1,106,600
Current Total Annual Property Tax	\$ 14,300
Projected Completed Assessed Value and Property Tax Exemption	
*Projected Completed Assessed Value	\$ 35,000,000
Projected Total Taxes to be Exempt over 12 years	\$ 5,445,000
- City	\$ 1,252,500
Potential Sales Tax Impacts	
**Projected Total Sales Tax Generated over 12 years	\$ 18,154,000
- City	\$ 1,966,000
*** Projected Sales Tax Generated from Construction	\$ 4,200,000
- City	\$ 455,000

*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.



City of Tacoma

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***The projected *Sales Tax generated from Construction* is estimated by multiplying the construction costs by the sales tax rate.

ATTACHMENTS:

Map
Agreement