



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Jeff Robinson, Director, Community and Economic Development  
**COPY:** Economic Development Committee; Tadd Wille, Assistant City Manager  
Peter Huffman, Planning and Development Services Director  
**PRESENTER:** Patricia Beard, Community and Economic Development  
**SUBJECT:** Resolution to approve the Issuance of Non-recourse Industrial Revenue bonds  
up to \$10 million for Tool Gauge and Machine Works, Inc., expansion at 4336 S.  
Adams Street, Tacoma  
**DATE:** August 28, 2018

**PRESENTATION TYPE:**  
Request for Resolution

**SUMMARY:**

Staff is requesting that the Economic Development Committee consider recommending approval of a Resolution in support of issuance of non-recourse industrial revenue bonds for Tool Gauge to the City Council. RCW Chapter 39.84 requires a proposal to issue nonrecourse industrial revenue bonds to be approved by the Planning Jurisdiction over the area in which the project is located. Executives from Tool Gauge will be present at the meeting to explain their project and to answer questions.

**BACKGROUND:**

Tool Gauge and Machine Works, Inc., headquartered at 4315 S Adams Street, has applied to the Economic Development Corporation of Pierce County ("EDCPC") for the issuance of nonrecourse, tax exempt industrial revenue bonds to support an expansion of their manufacturing plant on S. Adams Street in Tacoma. In order for the bond to be issued, the City of Tacoma, as the planning/land use jurisdiction for the project, must adopt a resolution approving the issuance of the bonds.

**ISSUE:**

Tool Gauge, a family-owned manufacturer of aerospace components operating in Tacoma since 1966, currently employs 133 fulltime employees. The company manufactures both metal and plastic components for several airplane manufacturers in three Tacoma plants on S. Adams Street. The plastics injection molding operation is one of a handful of Boeing-certified Class I and II plastics shops in the world capable of machining full five-axis parts and has received several Awards of Excellence from Boeing.

Due to recent and anticipated awards of new projects from Boeing, the company needs to expand, adding manufacturing space and 100 additional employees over the next five years. It intends to combine and expand existing plastics operations into a new 81,000 square foot plant for injection molding and to bring painting operations (currently outsourced) in house. The building will also house offices, engineering, and warehousing. The value of the project is \$18.8 million.

Industrial revenue bonds are similar to municipal bonds in that the bond buyer does not pay income taxes on the interest earned. This allows for a lower interest rate on the bonds and lower financing costs for projects. It is a federally-authorized program for manufacturing and industrial development projects and designed to encourage capital investment and employment.



State statute (RCW 39.84) requires that the land use jurisdiction for the project approve the bond issuance. The proposed project is located at 4336 S. Adams Street within the City of Tacoma's heavy industrial zone ("M-2") and is consistent with the City of Tacoma Municipal Code and Comprehensive Plan.

**ALTERNATIVES:**

The City Council could vote against the resolution. In that event industrial revenue bonds would not be issued for the project and the company could seek alternative financing options.

**FISCAL IMPACT:**

"Non-recourse" means that the bonds are privately backed and not issued by any government entity. The City of Tacoma will not be liable in the event of a default. The bonds will be privately backed by private placement from an investment grade bank or similar institution.

**RECOMMENDATION:**

It is recommended that the Economic Development Committee adopt a motion recommending that the City Council approve the resolution.