



TO: Elizabeth Pauli, City Manager
FROM: Jeff Robinson, Director, Community and Economic Development (CEDD)
COPY: Economic Development Committee, Tadd Wille
PRESENTER: Gloria Fletcher, CEDD
SUBJECT: Commercial Office Space Development Incentive
DATE: June 25, 2019

PRESENTATION TYPE:
Request for Ordinance

SUMMARY:

The purpose of this presentation is to request approval from the Committee on the attached legislation regarding commercial office space development. Said legislation would allow for developers to receive a refund of the local sales and use taxes paid during a qualifying commercial office development project as well as provide a mechanism for using the local portion of property taxes generated by that project to be used for related public infrastructure improvements.

BACKGROUND:

Substitute House Bill 1746 was enacted during the 2019 legislative session and will become effective on July 28, 2019. On June 11, 2019, CEDD staff presented an overview of the legislation to the Committee and a timeline to implement the proposed City of Tacoma ordinance that aligns with the effective date of the State legislation. At that time Committee members requested a draft ordinance for their review and clarity as to the financial impacts of the proposed legislation.

Staff has evaluated the potential cost savings for the developer based on using only the City of Tacoma's portion of the sales and use tax and property taxes. Below is a summary of a potential qualifying project:

TOTAL PROJECT COSTS:	\$29,000,000
Sales Tax Remittance Program:	
Portion Subject to Sales and Use Tax:	\$25,000,000
Tacoma Sales and Use Tax Rate:	1%
Sales and Use Tax Generated:	\$250,000
Property Tax Reinvestment:	
Estimated Market Value:	\$30,100,000
Local Property Tax Rate	0.257%
Property Tax Generated for Tacoma	\$77,300
Ten Year Total	\$773,000

ISSUE:

An ordinance is required to implement this legislation.



ALTERNATIVES:

An alternative to moving forward with the ordinance would be to not implement the state legislation or to implement only one of the authorized programs. Choosing either of these alternatives may provide a competitive advantage to other jurisdictions that offer this incentive.

FISCAL IMPACT:

The highlighted numbers in the example above show the estimated fiscal impact (cost) to the general fund of the project development. It does not include the estimated positive impact created by the private investment into office space development within the City of Tacoma, nor the long term impact of the public infrastructure investment that results from a qualified project.

RECOMMENDATION:

CEDD staff recommends moving forward with the ordinance, subject to further discussion and clarification with the Committee.