



Commercial Office Space Development Incentive

City of Tacoma | Community and Economic Development
Economic Development Committee

October 22, 2019

ITEM #2



OVERVIEW



Purpose

1. Request approval to move forward with authorizing legislation to implement a Sales and Use Tax remittance program for Commercial Office Space Development and Redevelopment.
2. Provide information and recommendation regarding potential future development incentives.

BACKGROUND



❖ Legislation History

❖ Legislation Elements

- ❖ **Sales and Use Tax Remittance** – Project owner pays sales and use tax during construction and, upon certification by City, will be reimbursed the local portion of those taxes between 18 and 36 months of completion.
- ❖ **Property Tax Reinvestment** – Requires the City to estimate local property tax revenue from the approved project for a ten-year period and place that amount into a fund to be used for constructing project related public infrastructure. Project owner is responsible for all property taxes.

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PROGRAM CONSIDERATIONS



GOAL

Support Private Investment in commercial office projects to **attract and retain businesses** that provide **family wage jobs**, increase **neighborhood vitality** and **grow our tax base**

TARGETED PROJECTS

- Over 50,000 Square Feet
- Good Quality, “Class A” buildings only
- Family Wage Job Requirement
- Commercial Development Areas selected by City, no more than 25% of Total Assessed Value

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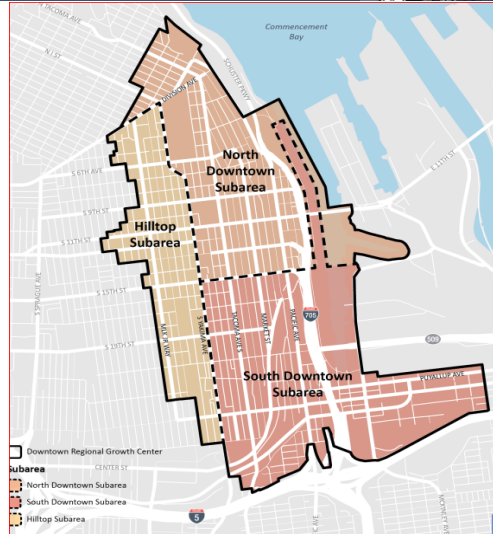
DEVELOPMENT AREAS



Potential Area 1:

- North Downtown Subarea
 - 11.11% Total AV
- South Downtown Subarea
 - 4.59% Total AV
- Hilltop
 - 1.73% Total AV (excluding hospitals)

Total Assessed Value Percentage: 17.43

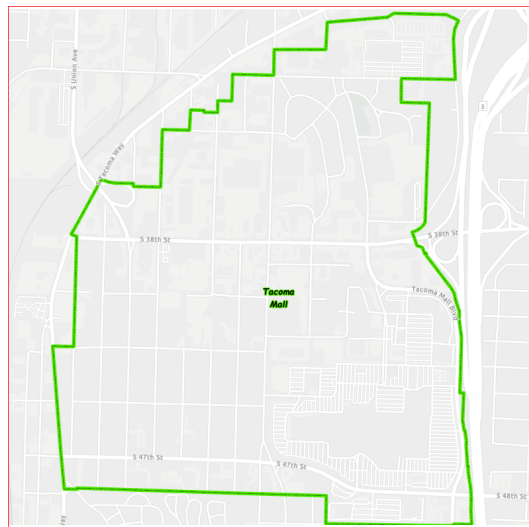


DEVELOPMENT AREAS



Potential Area 2:

- Tacoma Mall Subarea
 - 7.51% AV



PROGRAM CONSIDERATIONS



ESSENTIAL PROCESS PARTNERS

- Other City Departments
 - Finance, Planning and Development Services, Public Works, Legal
- Development Community
 - Real Estate Developers, Brokers, Owners

MARKET FACTORS

- Tacoma office market demand
- Existing building stock
- Overall construction costs / rental rates

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ALTERNATIVES CONSIDERED



1. Full implementation of legislation as written
2. Implement the sales and use tax remittance program as written in legislation and use existing authority to develop a less restrictive property tax funded public infrastructure reinvestment program.
- 3. Implement the sales and use tax remittance program at this time.**
4. No implementation.

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SALES AND USE TAX REMITTANCE



WHY

- No existing authority without legislation
- Low administrative burden and clear process
- Less fiscal risk to City

HOW

- Commercial Development Areas:
 - North and Downtown Subareas
 - Tacoma Mall Regional Growth Area
- Application Process
 - Developers would commit to quality and family wage criteria
 - CEDD administers, collaborating with cross departmental review team

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PUBLIC INFRASTRUCTURE REINVESTMENT



Discussion Summary

Developers:

- Financial incentives are helpful, office demand drives development
- Would prefer to see risk reduction (ie certainty in requirements or permitting timelines)

City Staff:

- Would like to explore more flexibility on public infrastructure financing
- Research needed to determine how this program would overlay with potential future impact fees

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NEXT STEPS & TIMELINE



Sales and Use Tax Program, if approved

1. Public Hearing – November, 2019
2. Ordinance – November, 2019
3. Finalize application and review process – December, 2019
4. Ongoing reporting

Public Infrastructure Reinvestment, ongoing

1. Continue discussions with stakeholders
2. Consider other programs – such as impact fees
3. Consider potential legislative requests to address concerns