



Commercial Office Space Incentive

Implementation of 2019 Senate House Bill 1746

City of Tacoma | Community and Economic Development
City Council Study Session
January 14, 2020

AGENDA

- Legislative History
- Program Goals
- Program Elements
- Implementation Process
- Next Steps

LEGISLATIVE HISTORY

- Legislation was first introduced in 2017 session to incentivize development of Class A office space in Tacoma.
 - Requested due to significant gap between Seattle and Tacoma rental rates yet similar construction costs
- Originally designed to offer the same property tax exemption as Multi-Family Tax Exemption (FTE) and apply to only Tacoma and Spokane.
- In 2019, the Legislation (SHB 1746) was revised to apply to local sales and property taxes, and broadened geographically to include all cities outside of King County.
- SHB 1746 had 9 co-sponsors, including Representatives Fey and Jenkins. Senate companion bill sponsored by Senator O'Ban. It passed with bipartisan support in both chambers.

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PROGRAM GOALS

1. Support private investment in commercial office projects
2. Attract and retain businesses that provide family wage jobs
3. Increase neighborhood vitality
4. Grow City's tax base

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PROGRAM ELEMENTS

Two commercial office space incentives available, subject to City approval via application process:

1. Sales and Use Tax Remittance

1. Project eligibility determined.
2. Project owner pays sales and use tax during construction.
3. Upon certification by City (between 18 and 36 months after completion), the Project owner will be reimbursed the local portion of those taxes.

2. Property Tax Reinvestment

1. Project eligibility determined.
2. Over ten year period, project owner makes payment of local property taxes generated by project site into a Public Infrastructure Reinvestment (PIR) Fund.
3. *PIR funding used to contribute to eligible projects' required public infrastructure.

***Note:** PIR Fund balance to vary depending on timing of projects. Upfront funding from other sources may be required for early projects until PIR Fund has sufficient balances over time to cover the public infrastructure needs.

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PROGRAM ELEMENTS

Statutory Requirements

- Over 50,000 square feet.
- New construction, substantial renovations, seismic retrofits.
- Good quality (as defined by City) buildings only.
- Family wage job requirement (\$20.77 per hour).
- Commercial Development Areas selected by City, no more than 25% of a city's total tax assessed value.
- City Council approval of established Commercial Office Development Areas.
- City application and approval process
 - May be adopted administratively
- Joint Legislative Audit and Review Committee must study effectiveness of legislation and report findings by October, 2028.

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PROGRAM ELEMENTS

Initial Considerations for Application and Approval Process Criteria

- Project feasibility to ensure project goals are met.
- Occupant identified (owner or signed lease) prior to final approval.
- Commitment to equity in contracting, local employment, and WMBE/SBE utilization.
- Sustainable Building Goals to include a Transportation Demand Management Plan.
- Application of Equity Lens.

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PROGRAM ELEMENTS

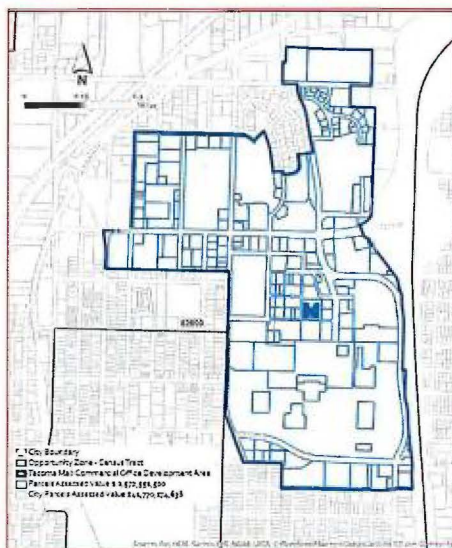


Potential Development Area 1

- Same boundaries as our Local Revitalization Financing Area

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PROGRAM ELEMENTS



Potential Area 2:

- Within Tacoma Mall Regional Growth Center
- Includes Maximum Height allowances

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PROGRAM ELEMENTS

Example Project Timeline

	Months 1-6	Months 6-12	Months 12-18	Months 18-24	Year 3	Year 4	Year 5	Year 6	Years 7-10
Project Events									
Project Application/Approval									
Permit Approved									
Sales and Use Tax Paid									
Construction Started									
Infrastructure Completed									
Construction Completed									
Project Certified									
Financial Events									
Property Taxes Allocated									
Infrastructure Reimbursed									
Sales and Use Tax Credited									
B&O Tax Collected									
Other - Permit Fees, Construction Jobs, Indirects									

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IMPLEMENTATION



City/Other Jurisdiction Requirements

- Public Hearing held to establish Commercial Office Space Development Areas. (Must be no more than 25% of total assessed value).
- City Council must pass ordinance to codify.
- Other local taxing jurisdictions can participate upon written agreement.

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IMPLEMENTATION



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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●●● NEXT STEPS AND TIMELINE

First Quarter, 2020

- Finalize application and review process
- Public Hearing regarding Commercial Office Development Areas (City Council Action)
- Ordinance Adoption (City Council Action)

Second Quarter, 2020

- Full Program Implementation – marketing, benchmarks and key performance indicator development

Ongoing

- Continued stakeholder engagement to monitor effectiveness
- Consider potential legislative amendments for improvement

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