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March 27, 2015

The Honorable Senator Kevin Meyer
State Capitol Room 111
Juneau, AK 99801

SUBJECT: SB 87 – AN ACT RELATING TO THE OPTIONAL EXEMPTION FROM AND DEFERRAL OF PAYMENT OF MUNICIPAL TAXES ON DETERIORATED PROPERTY

Dear Senator Meyer:

I am writing on behalf of Anchorage Economic Development Corporation (AEDC) in support of SB 87 and to thank you for introducing the bill.

As you are aware, Alaska law gives municipalities the option of offering property tax incentives for the rehabilitation, renovation, demolition, removal or redevelopment of deteriorated properties. The applicable statute, AS 29.45.050(o), was intended to create an optional tool that would allow individual municipalities to encourage innovative redevelopment strategies in their most blighted areas. The vision was for municipalities to employ this tool to promote economic development and ultimately increase their municipal tax bases.

It is important to also understand what the current law and SB 87 do NOT do. Neither the existing statute nor SB 87 requires municipalities to provide tax incentives for the redevelopment of deteriorated properties. Municipalities must by ordinance “opt-in” if they wish to offer this tool to developers. Further, once a municipality opts-in, it retains the ability to evaluate project applications on a case-by-case basis.

Optional tax incentives for the redevelopment of deteriorated properties are underutilized because of technical problems with the current statute:

1. Currently, a residential property may be eligible to receive optional property tax abatement from a municipality if it is a “multi-unit residential property with at least eight residential units[.]” This language is ambiguous and has confused both municipal officials and developers. SB 87 would clarify that this requirement may be satisfied either at the time of application for exemption/deferral or at the time of the completion of the project for which an exemption or deferral is requested. This preserves the intended applicability of the statute to larger development projects that have broad community impacts while recognizing that those impacts are often likely to be realized after a project is completed.

2. SB 87 would also amend the statute to clarify that when a single entity owns multiple residential properties within one designated deteriorated area, those properties can be considered collectively to satisfy the statute’s eight-unit minimum. This clarification provides greater flexibility to municipalities to craft incentives for larger redevelopment projects that meet their specific goals.

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Your willingness to introduce SB 87 is a significant step and, when passed, this legislation will boost AEDC's initiative to make Anchorage the number one city in America to live, work and play by 2025. This legislation affects two main areas of focus being undertaken by the initiative, Housing and Creative Placemaking. The economic development outcomes from this legislation will help the state as well as further empower municipalities to address blight and deterioration in a manner that is best suited at the local level.

Sincerely,



Bill Popp

President & CEO

Anchorage Economic Development Corporation