

PEACH INVESTMENTS, LLC

March 31, 2015

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

RE: Senate Bill 87 – “An Act relating to the optional exemption from and deferral of payment of municipal taxes on deteriorated property”

Dear Senator Meyer:

I am reaching out to you today on behalf of our family company, *Peach Investments LLC*, as the owner of a number of properties in Anchorage and a committed stakeholder in our city's long-term economic success, to express our strong support for Senate Bill 87, and to thank you for introducing this bill.

Our company has continue to experience the challenges of transforming deteriorated properties and the high cost of property development and construction in Anchorage. We support SB-87 and the opportunities it creates for the Alaska communities: to foster revitalization of aging properties; to bring new investments to downtown Anchorage and other older neighborhoods; and to create robust public-private partnerships with businesses like ours who are committed to making this “long term” investment in Alaska's economic future.

As stated in AS 29.45.050(o), Alaska law enables municipalities to offer property tax incentives for the rehabilitation, renovation, demolition, or redevelopment of deteriorated properties. The intent of granting temporary tax abatement for deteriorated properties is to give municipalities an *optional* tool to encourage innovative redevelopment projects in blighted areas that are not attractive nor financially feasible to private development. Municipalities can choose to employ this tool to incentivize development in certain neighborhoods or designated areas by providing a mechanism to pay for public infrastructure upgrades so desperately needed in these areas, and to ultimately increase the municipal tax base when these properties are redeveloped for more desirable uses.

This tool also provides a significant opportunity for our municipality, but not a mandate, to attract good, visible development in our community. Neither the current law nor SB-87 places any requirement on a municipality to use deteriorated property tax abatements, and each redevelopment project proposed under this scheme may be evaluated (and specific exemptions granted) on a case-by-case basis.

While the optional tax abatement for redevelopment has been available in Anchorage for several years, it has not often been used nor been fully available to property owners of deteriorated properties. As a developer, I know many of my colleagues would agree that it can be very difficult

to even qualify a clearly-deteriorated property for a redevelopment project, due to some of the technical issues in existing statute, which SB-87 seeks to address:

- As currently written in statute, residential property may be eligible to receive optional property tax abatement if it is a "multi-unit residential property with at least eight residential units" This language is ambiguous and confuses municipal officials and developers. SB-87 clarifies that this requirement may be satisfied either at the time of application for abatement, or upon completion of the proposed project. This preserves the intended applicability of the statute to larger development projects that have broad community benefit, such as promoting development of more housing in established neighborhoods, but recognizes that those benefits are likely to be realized after a project is completed.
- SB-87 also amends the section to clarify that when a single entity owns multiple residential properties within a designated deteriorated area, those properties can be counted collectively to satisfy the eight-unit threshold. This provides flexibility to municipalities to craft incentives for larger redevelopment projects that meet their specific goals. It provides incentives for private developers to consider innovative, multi-site projects which have potential to transform a neighborhood and catalyze other investment in the area.
- One word can make a big difference. Current statute AS 29.45.050(o)(2) allows a property to qualify as deteriorated if it "has a structure on it not less than 15 years of age that has undergone substantial rehabilitation, renovation, demolition, removal, or replacement." Because a deteriorated property has generally become deteriorated because it has *not* undergone any renovation efforts, this wording is either an error in the original language, or creates a much higher threshold for qualifying, and cost burden on its owner, for a property that is currently unattractive or financially prohibitive to invest in. Adding the word "not" will qualify these older properties that have become deteriorated because they are no longer sensible investments.

Lastly, I want to thank you again for your willingness to introduce SB-87. Municipalities like Anchorage and businesses like ours have a shared interest and common goal in making good development happen: it serves the community need for housing and commerce, and supports positive, long-term investment in our city. Municipal tools such as tax abatement, vastly improved by this legislation, will empower local governments to partner with the private sector to ensure property development occurs where and how it is most needed in the community.

Respectfully,

Derrick Chang
Peach Investments, LLC
Owners Rep

