



1016 W. Sixth Avenue, Suite 303
Anchorage, AK 99501

Monday, March 6, 2023

Senator Forrest Dunbar
State Capitol Room 125
Juneau, Alaska 99801

Representative Jessie Sumner
State Capitol Room 125
Juneau, 99801

Re: SB77/HB84

Senator Dunbar and Representative Sumner:

As the largest business organization in Alaska, the mission at the Anchorage Chamber of Commerce is to support growth and success for our members and ultimately the economic strengthening of all of Anchorage. Our organization is supportive of SB77/HB84 as it provides more local control for municipalities around Alaska to provide incentives such as abatements for deteriorated properties.

This bill will assist in building our economy and encouraging investors to develop properties and to bring more affordable housing options to our communities. Though Alaska law currently does allow municipalities to offer 100% tax abatement for Deteriorated Property, it prohibits full abatement when the project is deemed for economic development or construction on a vacant parcel of land.

Passage of this bill utilization of tax abatements will attract investment, create jobs and will convert blighted properties to useful structures for residential and commercial usage thus increasing the revenue base.

According to information on building costs versus rental revenue stream, there is a significant gap that prevents projects from being commercially feasible. SB77/HB84 will provide tools to reduce the gap and bring investment dollars to our communities.

For those reasons, the board of directors for the Anchorage Chamber of Commerce is supportive of passing SB77/HB84.

Best regards,

Bruce Bustamante
President & CEO

WILLIAM D. FALSEY

March 6, 2023

Senator Forrest Dunbar
State Capitol Room 125
Juneau, Alaska 99801

Representative Jessie Sumner
State Capitol Room 125
Juneau, Alaska 99801

Re: Support for SB 77/HB 84

Senator Dunbar and Representative Sumner:

I write to express my support for Senate Bill 77 and its companion, House Bill 84.

The key provision of the bill, section 1, would provide municipalities across Alaska with an improved ability to incentivize critical economic-development projects.

Its passage will:

- eliminate an inconsistency in the law;
- help municipalities advance much-needed housing and community-development projects;
- advance the constitutional goal of “maximum local self-government”¹; and
- have no negative effect on any state or local program.

As to the first, state law currently allows municipalities to completely abate real property taxes for:

- residential property assessed at \$75,000 or less [AS 29.45.050(a)]
- residential property assessed at \$150,000 or less that is owned and occupied by a person 65 years of age or older, a disabled veteran, or a person older than 60 who is the widow or widower of a person who was 65 years of age or older, or a disabled veteran [AS 29.45.050(i)]
- certain revenue-generating property used by a non-profit for community purposes [AS 29.45.050(b)(1)]
- historic sites, buildings and monuments [AS 29.45.050(b)(2)]
- certain land owned by a nonprofit and used for agriculture purposes [AS 29.45.050(b)(3)]
- private property used for student housing for the University of Alaska [AS 29.45.050(b)(4)]
- land with a scenic, conservation or public recreation use easement granted to a government body [AS 29.45.050(e)],

¹ See ALASKA CONST. art. X, section 1, LOCAL GOVERNMENT: *Purpose and Construction* (“The purpose of this article is to provide for maximum local self-government . . .”)

- certain farm buildings [AS 29.45.050(t)],
- property used for charter schools [AS 29.45.050(u)]
- property in a military facility zone [AS 29.45.050(w)], and,
- certain deteriorated residential or commercial property [AS 29.45.050(o)].

Inconsistently, however, state law currently *limits* the ability of municipalities to similarly incentivize new economic-development projects.

Today, a municipality can, for instance, pass an ordinance to completely exempt a dilapidated 20-year old commercial building from taxes for 10 years. But under present AS 29.45.050(m), the municipality cannot offer the same deal to a *new* commercial development – even if the development: (a) *needs* a similar abatement to be economically viable, (b) would bring great community benefits, and (c) result in increased property taxes paid to the municipality in the long run.

This is because AS 29.45.050(m) presently says municipalities that are also school districts cannot abate taxes below an amount equal to that which is “levied on other property for the school district’s required local contribution under AS 14.17.410(b)(2)” —which generally equates to 2.65 mills.

The reason for the hard 2.65-mills limit is *entirely unclear*. No similar limit applies to any of the properties listed above.

Nor, critically, does it have anything to do with school funding. Municipalities are required to make a local contribution to their schools by AS 14.17.410(b)(2). They can make an additional optional contribution under AS 14.17.410(c). **But with or without a 2.65 mill limit, AS 29.45.050(m) has no effect on the amount of money a school district receives from a municipality.**

The amount of money a municipality is obligated to pay its school district does not change when a municipality reduces any single property’s tax bill to 2.65 mills; it does not change when a deteriorated or other property’s tax bill is reduced to 0.0 mills—and it would not change if an economic-development project had its tax bill reduced to less than 2.65 mills. Likewise, property tax abatements in AS 29.45 have no effect on the total amount of money a municipality can optionally contribute to its school district. Abatements can change which property owners are contributing; they do not change the net result for school districts.²

² Compare AS 14.17.410(b)(2) (emphasis added):

(2) the required local contribution of a city or borough school district is the equivalent of a 2.65 mill tax levy on the full and true value of the taxable real and personal property in the district as of January 1 of the second preceding fiscal year, as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110, not to exceed 45 percent of a district’s basic need for the preceding fiscal year as determined under (1) of this subsection.

And AS 14.17.410(c) (emphasis added):

(c) In addition to the local contribution required under (b)(2) of this section, a city or borough school district in a fiscal year may make a local contribution of not more than the greater of
 (1) the equivalent of a two mill tax levy on the full and true value of the taxable real and personal property in the district as of January 1 of the second preceding fiscal year, as determined by the Department of Commerce,

Meanwhile, the economic reality is that many projects that are desirable from a community perspective, and that would yield significant positive externalities, simply do not pencil with the limited level of abatement that state law presently authorizes.

In Anchorage, for example, (the community with which I am most familiar) there is a broad consensus that more housing should be built downtown. But there is also a broad understanding that, without supports, new residential construction in downtown Anchorage is economically infeasible.

Localities' local leaders should be empowered to determine the level of supports they wish to provide to such projects. There is no reason for the legislature to insist on a state-wide, across-the-board, one-size-fits-all limit.

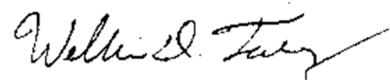
Beyond section 1, SB 77 / HB 84 would also, though new provisions outlined in section 2, provide municipalities with a new means to work with owners to remediate blighted properties. I can imagine scenarios in which such a law could prove useful to municipalities.

* * *

Thank you for the opportunity to comment on the proposal, and for your continued work and interest in this area.

If I can provide you with any further information, please do not hesitate to contact me.

Very truly yours,



William D. Falsey

-
- (2) Community, and Economic Development under AS 14.17.510 and AS 29.45.110; or
23 percent of the total of the district's basic need for the fiscal year under (b)(1) of this section and any additional funding distributed to the district in a fiscal year according to (b) of this section.

Tuesday, March 7, 2023

Senator Forrest Dunbar
State Capitol Room 125
Juneau, Alaska 99801

Representative Jessie Sumner
State Capitol Room 125
Juneau, Alaska 9801

Re: Support for SB 77/HB 84

Senator Dunbar and Representative Sumner:

I wish to express my support for Senate Bill 77 and its companion, House Bill 84.

The key provision of the bill, section 1, would provide municipalities across Alaska with an improved ability to incentive critical economic-development and housing projects.

This is particularly important to me because I am a multifamily housing developer in Anchorage Alaska. Anchorage has had less than 100 units of market rate multifamily housing constructed in the last 18 years. This has led to a severe housing shortage in Anchorage, that has dramatically increased the cost of housing. Allowing municipalities to offer a full 100% tax abatement will help to create jobs, spur economic growth, and help to provide badly needed housing in our communities. A 100% tax abatement is a critical key for housing developers to build housing in our communities.

Thank you for your consideration. If I can provide you with any further information, please do not hesitate to contact me.

Sincerely,



Shaun Debenham
Owner
Debenham LLC
E: shaun@debenham.com
P: (907) 562-9330

John Weddleton
9836 Reliance Drive
Anchorage, Alaska 99507
john@weddleton.com 907-770-0685

Tuesday, March 7, 2023

Senator Forrest Dunbar

State Capitol Room 125

Juneau, Alaska 99801

Re: Support for SB 77/HB 84

Forrest,

Your bill will add a lot more horsepower to the tax abatements Anchorage is counting on to get more housing. Looking through the various ordinances during our time together on the Assembly, I can't see that we were generally aware that taxes for the School District couldn't be included in any abatement. The AOs and AMs don't refer to that significant limit.

As you know, we have had success with the abatement program with the Debenham apartment project downtown relying on tax abatement. I have also heard the hotel at the parking garage and the huge Peach Investments project on the 4th Ave block are considering adding some housing in response to the tax abatement. The Downtown Plan and the Spenard Corridor Plan specifically call out for tax abatement to encourage more housing.

The tax abatements have been helpful but we are also finding that, particularly in downtown, they do not cover the cost gap needed to make real progress towards building the number of homes we need. The simple change in SB 77 will help a lot.

Thanks for sponsoring this Bill.

A handwritten signature in black ink, appearing to be 'John', with a stylized flourish at the end.

John Weddleton
9836 Reliance Drive
Anchorage, Alaska 99507
john@weddleton.com 907-770-0685

Tuesday, March 7, 2023

Representative Jessie Sumner
State Capitol Room 125
Juneau, Alaska 99801

Re: Support for SB 77/HB 84

Representative Sumner,

Your bill will add a lot more horsepower to the tax abatements Anchorage is counting on to get more housing. Looking through the various ordinances during my time on the Assembly, I can't see that we were generally aware that taxes for the School District couldn't be included in any abatement. The various ordinances and related memos don't refer to that significant limit.

Anchorage has had success with the abatement program. The Debenham apartment project downtown is relying on tax abatement. I have also heard the hotel at the parking garage and the huge Peach Investments project on the 4th Ave block are considering adding some housing in response to the tax abatement opportunity. The Anchorage Downtown Plan and the Spenard Corridor Plan specifically call out for tax abatement to encourage more housing.

We are serious about building more housing. Along with offering tax abatements, Anchorage has been steadily modifying our land use code to decrease the cost of housing and to make it easier to build. We also invested some of our APRA funds to focus on very low income housing. As a business owner, I know that when staff are having trouble finding a place to live, Alaska becomes a less viable choice for making a home. We need more housing, especially multi family projects.

The tax abatements have been helpful but we are also finding that, particularly in downtown, they do not cover the cost gap needed to make real progress towards building the number of homes we need. The simple change in HB 84 will help a lot.

Thanks for sponsoring this Bill.

A handwritten signature in black ink, appearing to be 'John', with a long horizontal line extending to the right.



Wednesday, March 8, 2023

Senator Forrest Dunbar
State Capitol Room 125
Juneau, Alaska 99801

Representative Jessie Sumner
State Capitol Room 125
Juneau, Alaska 9801

Re: Support for SB 77/HB 84

Senator Dunbar and Representative Sumner:

I write to express my support for Senate Bill 77 and its companion, House Bill 84.

The key provision of the bill, section 1, would provide municipalities across Alaska with an improved ability to incentivize critical economic-development and housing projects.

Its passage will:

- *This bill will hopefully allow incremental housing to be built that wouldn't ordinarily be built without incentives.*

State law currently does allow municipalities to offer 100% tax abatement for Deteriorated Property but does not allow for the full abatement when the project is deemed for Economic Development or when the project involves constructing a new project on a vacant parcel of land.

The economic reality is that many projects that are desirable from a community perspective, and that would provide many benefits, simply do not pencil with the limited level of abatement that state law presently authorizes.

The bill will also, though new provisions outlined in section 2, provide municipalities with a new means to work with owners to encourage development and redevelopment of blighted properties. There are many scenarios in which such a law could prove useful to municipalities.

Thank you for the opportunity to comment on the proposal, and for your continued work and interest in this area.

If I can provide you with any further information, please do not hesitate to contact me.

Bill Taylor
Colony Builders, Inc.
wtay907@gmail.com 907-345-0371

A handwritten signature in blue ink, appearing to read "Bill Taylor", is written over the typed name and contact information.



CITY OF WASILLA

MAYOR GLENDA D. LEDFORD

290 E. Herning Avenue

Wasilla, AK 99654-7091

Phone: (907) 373-9055

Fax: (907) 373-9096

Thursday, March 9, 2023

Senator Forrest Dunbar
State Capitol Room 125
Juneau, Alaska 99801

Representative Jessie Sumner
State Capitol Room 125
Juneau, Alaska 99801

RE: City of Wasilla Letter of Support for SB 77/HB 84

Senator Dunbar and Representative Sumner:

I am writing to express my support for Senate Bill 77 and its companion, House Bill 84. The key provision of the Bill, section 1, would provide municipalities across Alaska with an improved ability to incentivize critical economic-development and housing projects. The passage of the proposed legislation would promote the following:

- Give additional tools and local control to the cities and towns around the state.
- Allow municipalities/cities to self-determine how they want to provide incentives to stimulate development within their own communities.
- Clearly influence job creation in the state.
- Positively impact multiple sectors of the economy, businesses, housing, tax creation, and construction.
- Increase availability of housing for our youth, allowing them to continue to grow and live in Alaska.

State law currently does allow municipalities to offer 100% tax abatement for Deteriorated Property but does not allow for the full abatement when the project is deemed for Economic Development or when the project involves constructing a new project on a vacant parcel of land. The economic reality is that many projects that are desirable from a community perspective and that would provide many benefits simply do not pencil with the limited level of abatement that state law presently authorizes. Moreover, through new provisions outlined in section 2, the proposed Bill would provide municipalities with a new approach to work with owners to encourage development/redevelopment of blighted properties.

Therefore, it is for the aforementioned reasons, I fully support proposed Senate Bill 77 and its companion, House Bill 84. Your kind consideration is greatly appreciated. Please feel free to contact my office should you have questions.

Sincerely,

Mayor Glenda D. Ledford
City of Wasilla

Cc: file



445 E 5th Avenue, Suite 201
Anchorage, AK 99501

TEL (907) 206-4808
FAX (907) 206-5152

NorthernCompassGroup.com

March 9, 2023

Senator Forrest Dunbar
State Capitol Room 125
Juneau, AK 99801

Representative Jesse Sumner
State Capitol Room 421
Juneau, AK 99801

Dear Senator Dunbar and Representative Sumner:

I write to thank you for introducing Senate Bill 77 and House Bill 84, and to express my support for this legislation. This bill, if passed, will provide local governments with an important tool for economic development and revitalization. As a former mayor I can say that any flexibility that can be given to municipalities to use tax abatement to incentivize redevelopment is for the better.

Speaking from my experience in the private sector, and as a business owner for many decades, I have seen many projects flounder due to the high costs of development and construction in Alaska. Legislation like this will make a much-needed dent in the gap between what it costs to build in Alaska and the ability of developers to recoup their investments over time.

I am a believer that we need to show up and do our part to make our state a place where we want to live and where our kids want to raise their families. That is why I am personally invested in the revitalization of downtown Anchorage and have first-hand knowledge of the costs of redevelopment. I believe this bill, if passed, will make a difference in our ability to build a place we are proud of.

Sincerely,

Mark Begich
Northern Compass Group, LLC



March 10, 2023

Senator Forrest Dunbar
Alaska State Senate
Juneau, AK 99801

Representative Jesse Sumner
Alaska House of Representatives
Juneau, AK 99801

Re: Support for SB77/HB84-Municipal Property Tax Exemption/Tax Blighted Property

Dear Senator Dunbar and Representative Sumner:

I write you today in support of Senate Bill 77 and House bill 84 that will provide a significant new tool to communities across Alaska to spur economic growth and job creation by allowing local municipalities to adopt new provisions to their respective municipal code to fully exempt property taxes for economic development purposes. Further, SB77 will also provide local communities to adopt new powers to tax blighted properties that are a drag on the property values in their area and are detrimental to attracting new investments and critically needed workforce to the community.

As the President & CEO of Anchorage Economic Development Corporation (AEDC), it has become more and more evident that Alaska and its communities are increasing less competitive in attracting new investments from both outside and within Alaska due in no small part to the high cost of developing new commercial and residential buildings and facilities. SB77 is a significant step towards improving the competitiveness of Alaska communities in attracting and supporting new investments that will grow the availability of vital new housing, as well as investments in new commercial and industrial development that are critical to the future health and growth of communities across Alaska.

I urge the members of the Alaska Legislature to support the passage of this important legislation for the future success of Alaska.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bill Popp", is written over a light blue horizontal line.

Bill Popp
President & CEO



AK Declutter & Design

Sent via email: Sen.Forrest.Dunbar@akleg.gov

Sent via email: Representative.Jesse.Sumner@akleg.gov

March 10, 2023

Senator Forrest Dunbar

State Capitol Room 125

Juneau, AK 99801

Representative Jessie Sumner

State Capital Room 125

Juneau, AK 99801

Re: Support for SB 77/HB 84

Dear Senator Dunbar and Representative Sumner:

This letter is to express my support for Senate Bill 77 and its companion, House Bill 84.

I am a part-time small business owner who assists seniors to downsize years of stuff so they can sell and move. Most seniors wish to move to smaller, more financially manageable rental or owner housing. Time and again I hear from these long-term Alaskans the housing shortage across our city prevents them from making that move. In the long run some seniors stay and some move on. We are learning through the state's outmigration statistics many seniors are leaving our state. An out-of-state move takes long-time residents away from their friends, families, and way of life. Builders in the Anchorage area and across the great state of Alaska decry the cost of financing and building new homes. Our cities and municipalities need financial tools to help seniors and prime working age families stay here in housing that is adequate and comfortable. We need the legislature's help to make this happen.

The key provision of the bill, Section 1, would provide municipalities across Alaska with an improved ability to incentivize critical housing projects creating economic-development and job opportunities for a wide range of Alaska residents.

Its passage will:

- *Allow for full abatement of the property tax - State law currently does allow municipalities to offer 100% tax abatement for Deteriorated Property but does not allow for the full abatement when the project is deemed for Economic Development or when the project involves constructing a new project on a vacant parcel of land.*
- *Help mitigate economic impacts - in that many projects that are desirable from a community perspective, and would provide many benefits, simply do not pencil with the limited level of abatement that state law presently authorizes. Currently there is at least a \$120K or more gap per unit of market-rate rental housing between the financing and the cost to complete the project.*
- *Through new provisions - outlined in Section 2, provide municipalities with a new means to work with owners to encourage development and redevelopment of blighted properties.*

Thank you for the opportunity to comment on the proposal, and for your continued work and interest in this area. Please do not hesitate to contact me at the email below with any questions.
Sincerely,

Kristine Bunnell

Compassionate Uncluttering-AK

AK.declutter.design@gmail.com

[Home | My Site \(akdeclutterdesign.net\)](http://Home|MySite(akdeclutterdesign.net))

Senator Forrest DunbarState Capitol Room 125
Juneau, Alaska 99801**Representative Jessie Sumner**State Capitol Room 125
Juneau, Alaska 9801

Re: Support for SB 77/HB 84

Senator Dunbar and Representative Sumner:

I write to express my support for Senate Bill 77 and its companion, House Bill 84.

As the Executive Director at the Anchorage Community Development Authority I work weekly with landowners, developers, local, state and federal governmental departments, not for profits entities and citizens who express the need for additional housing. The lack of housing at all levels is epidemic and while there are multiple factors affecting the lack of housing; one of the key detractors is the cost. The first provision of the bill, section 1, would provide municipalities across Alaska with an improved ability to address this critical issue for economic-development and housing projects.

Its passage will:

- Give additional tools and local control to the cities and towns around the state to offer incentives to developers and builders for critical projects.
- Allow municipalities/cities to self-determine how they want to implement those incentives to stimulate development within their own communities.
- Impact multiple sectors of the economy creating jobs, new housing, grow the local property tax base, enable new construction and it will do so without impacting the state budget.

The economic reality is that many projects that are desirable from a community perspective, and that would provide many benefits, simply do not pencil with the limited level of abatement that state law presently authorizes.

The bill will also, though new provisions outlined in section 2, provide municipalities with a new means to work with owners to encourage development and redevelopment of blighted properties. This tool is used across the country to help communities create development, protect property values and make cities more livable.

The Anchorage Community Development currently has three projects underway that if passed this bill will help to make a reality by increasing the projects viability helping to bring more than 200 new market rate and workforce housing units forward. If I can provide you with any further information, please do not hesitate to contact me.

Thank you for your consideration. I urge you to support SB77 HB 84, thank you for your service.

Respectfully,

Mike W. Robbins

Executive Director, Anchorage Community Development Authority

Direct: 907-297-4401 Cell: 907-519-9191

E-mail: mrobbins@acda.net

Saturday, March 11, 2023

Senator Forrest Dunbar
State Capitol Room 125
Juneau, Alaska 99801

Representative Jessie Sumner
State Capitol Room 125
Juneau, Alaska 9801

Re: **Support for SB 77/HB 84**

Senator Dunbar and Representative Sumner:

I want to express my strong support for Senate Bill 77 and its companion, House Bill 84.

This bill would provide municipalities across Alaska with an improved ability to incentivize critical economic development including much needed housing projects, and resulting in additional construction industry jobs.

State law currently does allow municipalities to offer 100% tax abatement for Deteriorated Property but does not allow for the full abatement when the project is deemed for Economic Development or when the project involves constructing a new project on a vacant parcel of land.

The limited level of abatement that state law presently authorizes needs to be expanded to facilitate the economic viability of many projects in addition to Deteriorated Property projects.

The bill will also, provide municipalities with a new means to work with owners to encourage development and redevelopment of blighted properties. There are many scenarios in which such a law could prove useful to municipalities across Alaska.

Thank you for your continued work to promote economic development in Alaska, and thank you for your service.

Please contact me if you have any questions.

Best Regards,

Larry Cash
Founder and Chair of the Board,
RIM Architects

lcash@rimarchitects.com
907-240-9474



March 11, 2023

Honorable Forrest Dunbar
Honorable Jesse Sumner
Alaska State House
State Capitol
Juneau, Alaska 99801

Re: Support for SB 77 / HB 84

Dear Senator Dunbar and Representative Sumner,

Thank you for sponsoring SB 77 and HB 84

This innovative legislation will give much needed additional tools and local control to cities and municipalities across Alaska. I particularly value their scope because it will allow cities to self-determine incentives to stimulate development within their communities.

There is a high likelihood upon passage, your legislation will give a boost to companies working to attract workforce to Alaska as it creates new housing. The bills should help grow our military personnel and incentivize recruitment by creating more off-base housing. SB 77 HB 84 will also increase availability of housing for our younger generation to grow and raise a family in Alaska rather move out of state and relocate.

In regions where our firm has clients, like Anchorage and Mat-Su Borough, your legislation will spur development in blighted areas that might otherwise be overlooked. As others have testified, SB 77 and HB 84 are a win-win for multiple sectors of the economy, jobs, housing, tax creation, construction.

I encourage passage and appreciate your sponsorship.

Respectfully submitted,

Tom Anderson, Managing Partner
Optima Public Relations, LLC



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Member of the National League of Cities and the National Association of Counties

March 14, 2023

To: Senator Forrest Dunbar, Alaska State Legislature

Municipal Impact Statement

Issue: Property Tax Abatement and Blighted Property Tax Rates (SB77)

Impact: This bill as currently drafted would increase the number of tools available to local governments with property tax to facilitate community and economic development.

- Title 29 requires some mandatory exemptions and makes available many optional exemptions.
- Communities are looking for ways to address housing shortages and economic development.
- The bill would remove the floor for abatement, beyond 2.65 mils, providing for additional leverage to incentivize development.
 - The bill would not reduce the full value determination nor remove the minimum required local contribution to fund school districts.
- The bill would add the ability for a local government to tax blighted property at a different rate, complementing existing authority to offer incentives.

Relevant Principles (adopted by AML members):

- Support the Alaska Constitution's mandate "to provide for maximum local self-government."
- Support State policies that enable reduction of tax burdens and maintain local revenue authorities.

Relevant Policy (adopted by AML members):

- Support reductions to State policy that limits or specifies municipal exemptions and other actions, and support policy that expands municipal authorities and decision-making.
- Support state responsiveness to local economic development planning, including local economic diversification and small business development strategies.

Relevant Resolutions (adopted by AML members):

- [2019-02 – Requesting reimbursement of mandatory exemptions.](#)
- [2021-21 – Review and make optional mandatory exemptions.](#)

Position: This legislation as currently drafted is consistent with AML's current policy to ensure that local governments have the tools necessary to encourage community and economic development, including that which leads to an increase in the overall tax base.

- AML supports the bill as currently (originally) drafted.



SITKA ECONOMIC DEVELOPMENT ASSOCIATION

329 Harbor Drive, Suite 212 ★ Sitka, Alaska 99835 ★ (907) 747-2660 ★ fax (907) 747-7688 ★ www.sitka.net

March 15, 2023

Senator Bert Stedman
Alaska State Senate
Juneau, AK 99801

Representative Rebecca Himschoot
Alaska House of Representatives
Juneau, AK 99801

Re: Support for SB77/HB84-Municipal Property Tax Exemption/Tax Blighted Property

Dear Senator Stedman and Representative Himschoot:

I reach out today in support of Senate Bill 77 and House bill 84 that will provide a noteworthy new tool to communities across Alaska to increase economic growth and job creation. By allowing local municipalities to adopt new provisions to their respective municipal code to fully exempt property taxes for economic development purposes we together can achieve this goal. Additionally, SB77 will provide local communities the ability to approve new powers to tax blighted properties that otherwise are causing deflation to the property values in their area and are detrimental to attracting new investors and essential workforce to the community.

As the Executive Director of the Sitka Economic Development Association (SEDA), it has become increasingly more obvious that we have a housing shortage in Alaska. We believe this bill will give local cities the ability to motivate owners of blighted properties to re-develop them. I am confident passage of this bill will help stimulate housing and economic development projects locally and around the state. SB77 is a significant step towards improving the competitiveness of Alaskan communities in attracting and supporting new investments that will grow the availability of necessary new housing, as well as investments in new commercial and industrial development that are essential to the future growth and success of communities across Alaska.

I encourage the members of the Alaska Legislature to support the successful passage of this imperative legislation for the future economic growth of Alaska.

Sincerely,

Garry White
Executive
Director

Alliana Salanguit

From: Christopher Schutte [REDACTED]
Sent: Thursday, March 16, 2023 5:27 PM
To: Senate Community and Regional Affairs
Subject: Full testimony for SB 77
Attachments: 2023-03-16 Testimony for SB 77.pdf

Chair Dunbar and CRA Committee Members,

Thank you for the opportunity to testify at today's Community and Regional Affairs committee meeting on Senate Bill 77. Regrettably, I thought I had longer than 2 minutes and had to paraphrase (on the fly) the testimony I had written up for the meeting. I'll be better prepared next time.

My full written testimony is attached to this email, for your review. I greatly appreciate the timer and attention you've given to SB 77 and to the comments from me, Mr. Robbins, Mr. Popp, and Mr. Andreassen at today's committee meeting.

Please feel free to reach out with any questions, and thank you again.

Sincerely,

Chris (he/him)

Christopher M. Schutte dba Capricorn

CELL [REDACTED] • [See my calendar?](#)

Dena'inaq ełnen'aq' gheshtnu ch'q'u yeshdu. (*Dena'ina*)
I live and work on the land of the Dena'ina. (*English*)

Testimony in Support of Senate Bill 77

Good afternoon. My name is Christopher Schutte and I am a private economic and community development consultant based in Anchorage. I am here today to testify in favor of Senate Bill 77, which, if passed, makes critical statutory changes that will empower local jurisdictions to combat blight, encourage new jobs, grow local taxes, and foster long-term economic benefits.

In a previous life, I served as the Director of Economic and Community Development for the Municipality of Anchorage and worked with other economic development professionals from across the state on both subjects addressed by this bill: dealing with blighted properties and property tax abatement tools that create incentives for certain types of economic and community development. I am extremely supportive of the statutory changes proposed on both subjects in SB 77, but today will focus my testimony on the tax abatement changes proposed to AS 29.45.050(m).

Prior to 2017, property tax abatement tools in AS 29.45.050(m) to encourage economic development were very limited and rarely used.¹ Through work with the Legislature and economic development professionals from across the state, we were able to make a series of incremental improvements to the state statute in 2016 and 2017 that increased the authority of municipalities to provide incentives for economic development and redevelopment efforts, primarily through passage of Senate Bill 100.

SB 100 made meaningful statutory changes to property tax abatement for economic development, and jurisdictions like Anchorage moved quickly to implement local code changes that took advantage of this expanded tax abatement authority. Between 2017 and 2021, Anchorage created new incentives for downtown housing, for low-income and workforce-affordable housing, and for encouraging development along transit corridors thanks to the expanded authority approved through SB 100.

¹ Juneau was the only municipality to figure out how to use the old statute through CBJ 69.10.020(10) to exempt property taxes for “that part of real or personal property used in a manufacturing business...” Currently, the Alaskan Brewing Company, LLC, Alaska Glacier Seafoods, and Taku Smokeries were approved for property tax exemptions on their manufacturing portions.

However, SB 100 also created an unintended inconsistency in the law that SB 77 will fix. Specifically, SB 100 changed AS 29.45.050 subsection (m) to prohibit municipalities that are also school districts from abating taxes below an amount equal to that which is “levied on other property for the school district’s required local contribution...” making subsection (m) one of the only tax exemptions in all of AS 29.45.050 that does not empower municipalities to fully abate property taxes as a tool to incentivize economic and community development outcomes like the Anchorage examples above.

To illustrate this inconsistency, current state law allows municipalities to fully abate taxes on housing development under the “deteriorated property” exemption in AS 29.45.050(o) but cannot fully abate taxes on the same housing development under the “economic development property” exemption in AS 29.45.050(m) because of that subsection’s prohibition on abating local taxes that go towards the school district.²

In addition to being inconsistent, the current state law mistakenly restricts the amount of property tax that can be abated under the assumption that it will minimize any impact to school districts. However, this assumption ignores required contributions municipalities must make to their schools per AS 14.17.410(b)(2). The amount of money a municipality pays its school district does not change when a municipality abates property taxes, no matter if that abatement is full or partial³, property tax abatements only affect *which* property owners contribute to school districts.

Modifying AS 29.45.050(m) as proposed in SB 77 empowers municipalities to fully abate property taxes as an incentive that helps advance much-needed housing and community development projects at a time when housing and development costs are climbing. Collectively, the costs of raw materials costs, labor, and public infrastructure required for development – which are the responsibility of developers – are too great to make needed housing and other community development projects economic. Approving SB 77 will help correct an inconsistency in state law and give local jurisdictions greater flexibility to develop impactful community development and redevelopment incentives for their communities.

² Equal to 2.65-mills in Anchorage.

³ Likewise, property tax abatements in AS 29.45.050 have no effect on the total amount of money a municipality can *optionally* contribute to its school district as authorized in AS 14.17.410(c).



ELECTRONIC MAIL

March 22, 2023

The Honorable Forrest Dunbar, Chair
Senate Community & Regional Affairs Committee

Re: Support for SB 77 – Municipal Property Tax Exemption / Tax Blighted Property

Dear Senator Dunbar:

The Alaska State Home Building Association (ASHBA) wishes to express its support for SB 77 as an optional municipal tool for (i) encouraging and incentivizing economic development, and (ii) remediating blighted properties. ASHBA is a non-profit trade organization that represents the residential construction industry in Alaska. The organization serves as a resource for home builders, contractors, and other professionals in the housing industry, providing education, advocacy, and networking opportunities.

ASHBA recognizes that property taxes are a critical source of revenue for Alaska's local governments, however they can also pose a financial barrier for home builders looking to locate or expand affordable housing developments. By allowing municipalities more flexibility in structuring their local property taxes and exemptions, SB 77 could help level the playing field for businesses by making it more attractive for them to invest in local communities. This can lead to increased job growth, new housing stock, and stronger economic development, overall. In addition, improving project economics at the margin can make feasible the use of more sustainable building materials and technologies, which can have a positive impact on the environment as well as the economy.

ASHBA is also open to giving municipalities the authority to levy taxes on blighted property. SB 77 would give municipalities the ability to send a clear message that revitalizing local neighborhoods by attracting new development and residents is a priority. Such a tax could serve as a financial incentive for property owners to make improvements to their properties, whether it be through repairs, renovations, or redevelopment. Moreover, the tax can be structured in such a way as to provide relief for property owners who make investments in their properties, or who agree to sell to developers who commit to redevelopment projects. This, in turn, can lead to increased property values, more attractive neighborhoods, and increased economic activity.

ASHBA believes SB 77 to be a worthwhile policy choice that could lead to more vibrant and prosperous local economies.

Thank you for your consideration,

Eric Visser, President
Alaska State Home Building Association

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March 29, 2023

Senator Forrest Dunbar
State Capitol Room 125
Juneau, Alaska 99801

Representative Jessie Sumner
State Capitol Room 125
Juneau, Alaska 99801

Re: Support for SB 77/HB 84 (An Act relating to municipal property tax)

Senator Dunbar and Representative Sumner:

I write to express my support for Senate Bill 77 and its companion, House Bill 84. Eklutna, Inc. is Anchorage largest private landowner, a commercial building owner and developer, and a developer of residential subdivisions.

The key provision of the bill, section 1, would provide municipalities across Alaska with an improved ability to incentivize critical economic-development and housing projects. We believe its passage will:

- *Help developers and property owners expand business offerings in commercial and industrial-zoned areas,*
- *Attract more investment funds for economic development projects,*
- *Tip the balance in some investment decisions to move forward with new construction, and*
- *Increase the number of good paying jobs.*

State law currently does allow municipalities to offer 100% tax abatement for Deteriorated Property but does not allow for the full abatement when the project is deemed for economic development or when the project involves constructing a new project on a vacant parcel of land. The economic reality is that many projects that are desirable from a community perspective, and that would provide many benefits, simply do not pencil with the limited level of abatement that state law presently authorizes. The bill will also, though new provisions outlined in section 2, provide municipalities with a new means to work with owners to encourage development and redevelopment of blighted properties. There are many scenarios in which such a law could prove useful to municipalities.

Thank you for the opportunity to comment on the proposal, and for your continued work and interest in this area. If I can provide you with any further information, please do not hesitate to contact me at ksmith@eklutnainc.com

Sincerely,

Kyle Smith
Director of Land Assets