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 write today on behalf of Anchorage Community Development Association to express our strong support for 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.

Presently, optional tax incentives for the redevelopment of deteriorated properties are vastly 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.

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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.

Again, thank you for your willingness to introduce SB 87. When passed, this legislation will promote economic development and further empower municipalities to address blight and deterioration in a locally-controlled manner.

Respectfully,

Ronald T. Pollock,
Executive Director