



**PREPARED STATEMENT OF GABE LAYMAN
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**TO THE ALASKA SENATE
FINANCE COMMITTEE**

REGARDING HOUSE BILL 146

April 14, 2015

Good afternoon, Co-Chairs Kelly and MacKinnon and distinguished members of the Senate Finance Committee. I appreciate the opportunity to provide some perspective regarding House Bill 146.

My name is Gabe Layman. I serve as the Executive Vice President and General Counsel for Cook Inlet Housing Authority. We are one of fourteen regional housing authorities that deliver safe, affordable housing to low-income Alaskan seniors, families, and individuals.

Our service area covers the entire Cook Inlet Region. We promote homeownership through lending programs, but we also develop, own, and manage more than 1,200 rental units from Seldovia to the Mat-Su Valley.

HB 146 is legislation that will have positive statewide impacts. It will empower municipalities to offer certain property tax incentives that will encourage developers to roll up their sleeves and get to work in some of our state's most challenging real estate markets. In particular, the provisions of HB 146 that will amend AS 29.45.050(o), authorizing optional municipal property tax incentives for the redevelopment of deteriorated property, will be extremely impactful. Those provisions are the focus of my statement today.

To make clear what HB 146 does and does not do, I will use Anchorage as an example. As you all know, there are communities within Anchorage that experience blight, disinvestment, and deterioration. Historic neighborhoods like Fairview and Spenard have tremendous potential for redevelopment, but some portions of these communities are private sector kryptonite – contaminated former gasoline stations, drug houses seized by law enforcement, and properties with large, blighted structures that are costly to demolish because they were built with hazardous materials. Market conditions and federal, state, and local regulation make it very expensive to acquire and redevelop properties like these. For that reason, we have seen very little private sector redevelopment of blighted properties anywhere in Alaska. And so long as the worst of the worst properties in these communities remain untouched, the sickly shadows they cast will discourage any investment in properties located nearby.

Presently, there are few tools available to encourage private investors to take on the risk associated with the redevelopment of deteriorated properties. One tool that does exist, at least in theory, is a state statute that gives municipalities the option of offering property tax incentives for the rehabilitation or redevelopment of deteriorated properties. The applicable statute, AS 29.45.050(o), creates an optional

tool that allows municipalities to encourage redevelopment in their most blighted areas. The vision was for municipalities to employ this tool to encourage private investment, promote economic development, and ultimately increase their municipal tax bases.

This vision has not been realized. I am aware of only two communities that have opted-in by adopting an ordinance that authorizes optional property tax incentives for the redevelopment of deteriorated property – the Municipality of Anchorage and the Fairbanks Northstar Borough. I am not aware of any projects in Fairbanks that have benefitted from this provision and only three or four in Anchorage that have.

Why isn't the tool being used? Developers would like to use the tool, and in Anchorage at least, the Municipality has been willing to make it available. Unfortunately, the authorizing statute is confusing and in some ways overly restrictive. HB 146 would clarify the statute and make improvements that would enhance its usefulness.

Before I dive into the details, I want to emphasize what the current law and HB 146 do NOT do. Neither the existing statute nor HB 146 requires municipalities to provide tax incentives of any kind. 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.

HB 146 makes three significant improvements to the current legislation.

1. The statute presently provides that a residential property may be eligible to receive property tax abatement from a municipality if it is a "multi-unit residential property with at least eight residential units[.]" It is not clear at what point in time the property must have eight residential units. This language is ambiguous and has confused both municipal officials and developers. HB 146 clarifies that this requirement may be satisfied either at the time of application for exemption/deferral or at the time of project completion.

This amendment makes it clear that the purposes of the statute – to authorize locally-determined efforts to eliminate blight and redevelop deteriorated properties – could be satisfied in multiple ways. A developer could seek property tax incentives for a project that would turn two blighted units into eight new, quality homes. Similarly, a developer could seek property tax incentives for a project that would remove eight blighted units in an overly dense neighborhood and replace them with four new, high quality homes.

2. HB 146 would also amend the authorizing statute to clarify that an entity could apply for property tax incentives when it owns multiple residential properties, collectively having eight or more units, within a single deteriorated area. This amendment would encourage developers to revitalize deteriorated areas by acquiring multiple properties and redeveloping them in a coordinated manner.

For example, if a developer owns a number of small properties in a deteriorated area, such as 8,000 square foot residential lots in Fairview, those parcels are not currently eligible for municipal property tax incentives because they cannot each independently support eight or more units. This remains true even if the development as a whole would impact dozens of housing units. We need to fix this.

3. Finally, HB 146 makes a technical amendment to the current statute to fix the omission of a single, very important word. The statute currently states that commercial property is eligible if it "has a structure on it not less than 15 years of age that *has* undergone substantial rehabilitation, renovation, demolition, removal, or replacement..." Inserting the word "not" after the word "has" ensures that the statute is not inadvertently encouraging the redevelopment of commercial properties that *have* been improved within the past fifteen years. This minor technical issue

alone is currently an impediment to the redevelopment of Anchorage's historic 4th Avenue Theater by an extremely interested and capable private developer.

Again, thank you to the members of the Committee for your time today. If passed, HB 146 will promote economic development and further empower municipalities to address blight and deterioration in a locally-controlled manner. Better yet, it will not cost the State a dime. Thank you.