

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).