

## Mina Ryan

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**From:** Christopher Schutte [REDACTED]  
**Sent:** Wednesday, April 12, 2023 3:54 PM  
**To:** House Community and Regional Affairs  
**Subject:** Letter of Support for SB 77 (CRA)  
**Attachments:** 2023-04-12 Letter of Support for SB 77 (CRA) - Schutte.pdf

House Community & Regional Affairs committee,

Please accept the attached letter of support for Senate Bill 77 (CRA) that will be in front of your committee tomorrow morning, April 13, 2023.

At its core, SB 77 (CRA) is a legislative fix to a statutory oversight that limits the power of local jurisdictions to provide meaningful incentives that encourage more housing development. By passing this bill, the Alaska Legislature will empower municipalities across the state to develop meaningful incentives for local housing production.

The need for this bill couldn't be greater as the cost of housing construction has almost never been higher:

- The National Association of Home Builder's latest [Cost of Construction Survey](#) shows that 60.8% of the average home sales price consisted of construction costs in 2022, making last year just the fourth time ever over the past 25 years that construction costs represent over 60% of the total price of the home.
- The average price of a single-family home in Anchorage [jumped to a new high of \\$456,000 in 2022](#).
- Building permits for multi-family housing units across Alaska have been falling since 2014, [hitting its lowest point in at least two decades in 2021](#).
- Multi-family construction costs are skyrocketing: [a 48-unit multi-family housing project in Anchorage](#) saw its total construction costs climb from \$6.2M in 2021 to \$11.5 million in 2022.

Local jurisdictions need tools that can meaningfully facilitate community development projects and help encourage needed housing development of all types. SB 77 (CRA) provides a statutory fix that will grant that power to Alaska communities, providing one small tool for municipalities to help address their housing needs.

I appreciate your time and attention on this important matter.

Sincerely,

*Chris (he/him)*

Christopher M. Schutte dba Capricorn

CELL +1 [REDACTED] • [See my calendar?](#)

Dena'inaq e'nen'aq' gheshtnu ch'q'u yeshdu. (*Dena'ina*)

I live and work on the land of the Dena'ina. (*English*)

April 12, 2023

To: Representative CJ McCormick, Chair  
Representative Kevin McCabe, Vice Chair  
Representative Tom McKay  
Representative Josiah Patkotak  
Representative Justin Ruffridge  
Representative Rebecca Himschoot  
Representative Donna Mears

Re: Letter of Support for Senate Bill 77 (CRA)

House Community & Regional Affairs Committee:

My name is Chris Schutte and I am a private economic and community development consultant based in Anchorage. I am writing to you today in support of Senate Bill 77 (CRA), which, if passed, makes critical statutory changes that will empower Alaska municipalities to combat blight, encourage new jobs, grow local taxes, and foster long-term economic benefits.

From 2015 to 2021, 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 in both sections of SB 77 (CRA), but will focus the bulk of my letter discussing the beneficial tax abatement changes proposed to AS 29.45.050(m) contained in Section 1 of SB 77 (CRA).

Prior to 2017, property tax abatement tools in AS 29.45.050(m) to encourage economic development were very limited and rarely used.<sup>1</sup> Working with the Legislature

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<sup>1</sup> 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..."

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.

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.<sup>2</sup>

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

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Currently, the Alaskan Brewing Company, LLC, Alaska Glacier Seafoods, and Taku Smokeries were approved for property tax exemptions on their manufacturing portions.

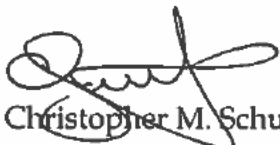
<sup>2</sup> Equal to 2.65-mills in Anchorage.

a municipality pays its school district does not change when a municipality abates property taxes, no matter if that abatement is full or partial<sup>3</sup>, property tax abatements only affect *which* property owners contribute to school districts.

Modifying AS 29.45.050(m) as proposed in SB 77 (CRA) 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.

This bill empowers our local communities to foster critical community development, build much needed housing units, and support local jobs and businesses. Approving SB 77 (CRA) 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. I encourage the House Community & Regional Affairs Committee pass and approve SB 77 (CRA) and thank you for your time and attention.

Sincerely,



Christopher M. Schutte

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<sup>3</sup> 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).

## Mina Ryan

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**From:** Jon and Ruth Ewig [REDACTED]  
**Sent:** Thursday, April 13, 2023 10:36 PM  
**To:** House Community and Regional Affairs; Rep. CJ McCormick; Rep. Kevin McCabe  
**Subject:** We support SB77 and HB84 concerning municipal property tax exemption blighted

## Mina Ryan

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**From:** Volland, Daniel R. [REDACTED]  
**Sent:** Saturday, April 15, 2023 12:17 PM  
**To:** Rep. Julie Coulombe; Rep. Donna Mears; Rep. Jesse Sumner; Rep. Kevin McCabe  
**Cc:** House Community and Regional Affairs  
**Subject:** HB 84

Dear Representatives,

Thank you for your work on HB84 regarding property tax exemptions and a blighted property tax. Anchorage, along with many other Alaskan cities, is currently facing a major housing shortage problem. We are desperately in need of more affordable and middle market rate multi-family housing development that will help revitalize our city and retain residents.

As you may know, we have a new development being built in my district - the Block 96 flats development in downtown Anchorage. It's been wonderful to watch this project unfold. A crane in the sky in downtown Anchorage is good thing to see! Unfortunately, the developer was under the misunderstanding that they would receive a more complete exemption which would help their project to pencil out. I'm hopeful that your legislation will make it possible to for more projects like this to succeed and be a win-win for our builders, for downtown Anchorage, and for those in need of housing.

This legislation strikes me as an innovative carrot-and-stick approach to spurring development and redevelopment, and I am in support.

Daniel Volland  
Assembly Member  
Representing District 1, North Anchorage

Thank you for adding your voice to the permanent record of the Municipality of Anchorage.