
From: Nils Andreassen <nils@akml.org>
Sent: Tuesday, May 16, 2023 8:57 AM
To: House Finance
Cc: Sen. Forrest Dunbar
Subject: SB77 record

I'm writing to thank the Committee for passage of SB77, which AML supported throughout this process, including amendments that were led by the sponsor.

However, as we were not able to be online to answer questions last night, we want to correct the record as it relates to Amendment 1 that was offered. While it is true that we spoke with the amendment sponsor, we want to be clear that this should not be characterized as in support. AML identified a number of concerns and ways to correct them that ultimately were not reflected in the version presented yesterday, and AML could not have supported that amendment. We're sorry if there was any misunderstanding but want to ensure the record reflects AML's position.

We appreciate the questions that were asked and the deliberations that occurred, and ultimately passage of the underlying bill. SB77 promotes local control and adds tools for communities to facilitate community and economic development.

Nils Andreassen
Executive Director, Alaska Municipal League
Direct (907) 790-5305 or Cell (907) 351-4982
"Strengthening Alaska Municipalities"



May 12, 2023



To: Representative Bryce Edgmon, Co-Chair
Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe, Member
Representative Mike Cronk, Member
Representative Will Stapp, Member
Representative Frank Tomaszewski, Member
Representative Alyse Galvin, Member
Representative Sara Hannan, Member
Representative Andy Josephson, Member
Representative Dan Ortiz, Member

Re: Letter of Support for Senate Bill 77 (version D)

House Finance 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 (version D), 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 (version D), 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 (version D).

Prior to 2017, property tax abatement tools in AS 29.45.050(m) to encourage economic development were very limited and rarely used.¹ Working 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

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.

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.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 partial,³ property tax abatements only affect which property owners contribute to school districts.

Modifying AS 29.45.050(m) as proposed in SB 77 (version D) 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

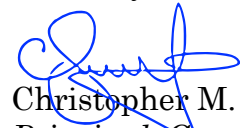
² Equal to 2.65-mills in Anchorage.

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).

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 (version D) 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 (version D) and thank you for your time and attention.

Sincerely,



Christopher M. Schutte

Principal, Consultant

Capricom

chris@capricomalaska.com



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

Monday, March 6, 2023

Senator Forrest Dunbar	Representative Jessie Sumner
State Capitol Room 125	State Capitol Room 125
Juneau, Alaska 99801	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

TESTIMONY: SB 77

May 3, 2023

To the House Finance Committee:

I support Senate Bill 77, which would give communities more tools to encourage property development and address costly nuisance properties.

Cities grow, change, and face different challenges and barriers to growth at different points in their lifecycle. The built environment (buildings and public infrastructure) needs to change over time to meet the needs of industry and the local economy, trends in consumer tastes, innovations in technology, environmental changes such as natural disasters, and other factors. As cities become built out, this increasingly means re-using existing properties not at their highest and best use: it may be a building that is aging, declining in value, falling into disrepair, or is not built to safety standards. Redevelopment is a sign that city's economy is healthy, because people are willing to invest in a property to turn it into something more productive, attractive, and/or generates more value.

Where privately-funded development is profitable, it happens—whether it's on a greenfield (unbuilt) site, or through demolition or renovation of an existing property. When it is not profitable, on an area-wide or community-wide basis, properties begin to age and languish. Or, properties can artificially increase in value in a market where little new development occurs, such as a housing market with very low available inventory and a high number of aging properties. Unfortunately, this is increasingly the case in Anchorage, and likely other communities in the state. This, combined with our already-expensive and increasingly high construction costs, makes it very difficult for cities to grow or revitalize.

If the private market cannot feasibly build a project, it requires either funding to fill that gap (whether through private philanthropy or public dollars), and/or to change the conditions of the market through incentives. The tools SB 77 would provide are not required to be used by any city, but would be available to communities across the state to help address the barriers in their market holding back development, and make it easier to invest in growth. These are common mechanisms, such as property tax incentives, used in cities across the United States to address the same barriers to development Alaska communities are experiencing, and the same financial infeasibility that stops cities like Anchorage from thriving.

One (negative) incentive this bill includes is a potential tax on blighted properties that have become a public nuisance. In the decade I have been involved in local community issues, an unfortunately common story has played out across Anchorage: a property, whether a house or commercial site or vacant lot, is neglected and sits empty. It becomes unsafe in some way: a fire hazard or a place where people conduct illegal activity. Neighbors attempt to get the problem addressed by the owner, who may be out of state, unreachable after attempts to contact, or simply unwilling to address the problems. Code enforcement and police officers are routinely

called, but while both agencies attempt to address the issues with the owner, they are unable to resolve the issues. Neighbors and other businesses suffer the impacts, and may also experience damage to their own property, or other harms. In extreme cases, the property becomes hazardous and pose a public safety threat requiring emergency response, such as a structure fire. These issues can continue for months, or even years, leaving a property's neighbors—and a city's taxpayers—stuck with the costs of one property owner's neglect.

Private property rights are greatly valued in Alaska, particularly when talking about our homes. Living together in a community also means that our neighbors' properties are impacted by our decisions, and they also have rights. And as a whole, we all have a stake in our community being a place where its residents and businesses can prosper.

So, how do we balance the rights of each property owner with the corresponding property rights of neighbors, when one property is actively causing harm to its neighbors? And who is responsible for the public costs incurred by neglect of a property that becomes a burden on the surrounding community? Our current laws do not allow local governments to consider those policy questions. In the meantime, every neighbor (and city enforcement officer) who attempts to have a nuisance property addressed continues to run into the same cycle of frustration and helplessness, with no direct cost to the owner of the nuisance property, and no clear resolution to the issue. And when it is financially infeasible to develop in our community, more properties become at risk of falling into disrepair and disinvestment, and may become nuisances too.

The first article of the Alaska Constitution, about our inherent rights, makes a good point:

1. Inherent Rights

This constitution is dedicated to the principles that all persons have a natural right to life, liberty, the pursuit of happiness, and the enjoyment of the rewards of their own industry; that all persons are equal and entitled to equal rights, opportunities, and protection under the law; and that **all persons have corresponding obligations to the people and to the State.** (*emphasis added*)

This general principle, that we have shared responsibility to each other, also applies in a community or neighborhood: I have property rights, and so do my neighbors. We all have a shared interest in everyone doing their part to maintain their properties, because we all pay the public costs of neglect.

Thank you,

Anna Brawley
Anchorage resident

From: Christopher Schutte <chris@capricomalaska.com>
Sent: Saturday, May 13, 2023 9:01 AM
To: House Finance
Subject: Letter of Support for SB 77 (version D)
Attachments: 2023-05-13 Lettter of Support for SB 77 (CRA)_Schutte.pdf

House Finance Committee members:

My name is Chris Schutte and I am a private economic and community development consultant based in Anchorage. Please accept the attached letter of support for Senate Bill 77 (version D), 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.

The key to a successful, vital, and thriving community is to *encourage* positive outcomes and *discourage* negative outcomes. SB 77 (version D) empowers local jurisdictions to do both of those by fixing - in Section 1 - a statutory error that limits the power of municipalities to incentivize certain types of community development (thus encouraging community development), and by creating - in Section 2 - a new tool to fight blight (thus discouraging the negative effects of community deterioration.)

The need for this bill couldn't be greater as the cost of construction in Alaska - especially 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 (version D) 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 and encourage the committee to pass SB 77 (version D).

Sincerely,

Chris (*he/him*)

Christopher M. Schutte dba Capricom

CELL +1 (907) 227-4001 • [See my calendar?](#)

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

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