

**HB**

**146**

<TARGET><BILL>HB 146</BILL><SUBJECT>HB  
146</SUBJECT><COMM>SFIN29</COMM></TARGET>

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/11/15

FURTHER:

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

**Finance Committee** considered CS FOR HOUSE BILL NO. 146(CRA)

HB 146 MUNICIPAL TAX EXEMPTION

"An Act relating to a municipal tax exemption for certain subdivided property."

and recommends:

be replaced with SCS \_\_\_\_\_ ( \_\_\_\_\_ )  Same Title  Technical Title Change  
 New Title/SCR No. \_\_\_\_\_

adopt previous SCS CS HB 146 (CRA)  Same Title  Technical Title Change  
 New Title/SCR No. \_\_\_\_\_

attached amendment(s)

adopt \_\_\_\_\_ Letter of Intent

further referral to \_\_\_\_\_ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
EED	MVA
DEC	DNR
DFG	DPS
GOV	REV
DHS	DOT
AJS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED			✓	2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	MICCICITE	✓			
	BISHOP	✓			
	DULEANY			✓	
	O'SOUL			✓	
CO-CHAIR:	MacKinnon				
CO-CHAIR: Anna MacKinnon	MacKinnon				



# REPRESENTATIVE CATHY MUÑOZ

## SPONSOR STATEMENT HOUSE BILL 146

Passage of House Bill 146 will give municipalities several options to provide an incentive to develop housing. One option is by exempting for up to five years a property tax increase associated with subdividing a piece of property into three or more parcels. Another option allows municipalities to incentivize the rehabilitation, demolition, and redevelopment of blighted properties in deteriorated communities across the state.

HB 146 adds a new section in statute AS 29.45.050 that would allow municipalities the flexibility to abate increases in property taxes on subdivided parcels until a lot is sold or a city grants a building permit for that piece of property. It would allow a local government to adopt the optional abatement for all or a portion of a subdivided portion and also let a municipality decide the terms of paying the tax abatement and when those payments would be due.

This bill also authorizes municipalities to incentivize the rehabilitation, demolition, and redevelopment of blighted properties in deteriorated communities across the state. Currently, in AS 29.45.050(o), a residential property is eligible to receive an optional municipal property tax abatement only if it is a commercial property not used for residential purposes, or is a multi-unit residential property with at least eight residential units. Unfortunately, the statute is unclear in that it does not specify whether an eligible multi-unit property must have eight units prior to redevelopment or after the redevelopment is complete. This legislation clarifies that properties are eligible for optional municipal property tax abatement if eight or more residential units are located on the property either at the time of application or at the time of the completion of the project. Further, it allows multiple properties in one area designated as deteriorated to be considered collectively for the eight-unit requirement. These amendments provide greater flexibility to municipalities to craft incentives for redevelopment projects to meet their specific goals, while maintaining statutory intent.

The purpose of the bill is to encourage land development for more housing and let local governments decide whether property tax deferrals or abatements will benefit them.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 20, 2015

**SUBJECT:** Sectional Summary of HB 146 (Work Order No. 29-LS0048\A)

**TO:** Representative Cathy Muñoz  
Attn: Terry Harvey

**FROM:** Susie L. Shutts *Susie Shutts*  
Legislative Counsel

You requested a sectional summary of HB 146.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. Please let me know if you would like an interpretation of the bill as it may apply to a particular set of circumstances.

**Section 1.** Amends AS 29.45.050 by adding a new subsection that allows a municipality to partially or wholly exempt from taxation an increase in the assessed value of property that results when the owner subdivides a single parcel into three or more parcels. This exemption extends to improvements made to the property because of the subdivision. The municipality may create the exemption by ordinance and may either terminate or continue the exemption when a lot in the subdivision is sold or a residential or commercial building is built on a lot in the subdivision.

Please let me know if you have any additional questions.

SLS:lnd  
15-245.lnd

## SUMMARY OF CHANGES – SCS CS HB 146(CRA)

HB 146 VERSION A	CS HB 146(CRA) VERSION W	SCS CS HB 146(CRA) VERSION E
<p><b>Section 1 – Page 1, Lines 3-15; Page 2, Lines 1-2</b>  Amends AS 29.45.050 by adding a new section (x):  Allowing an optional municipal tax exemption for certain subdivided properties</p>	<p><b>AMENDED: Page 1, Line 8:</b>  Changed the word “the” to “an”</p>	<p><b>NEW: Section 1 – Page 1, Lines 5-14; Page 2, Lines 1-30</b>  Amends AS 29.45.050(o) which allows a municipality to defer or exempt, by passage of an ordinance, property tax on certain deteriorated properties.</p> <ol style="list-style-type: none"> <li>1. A partial or total exemption can be for up to 10 years.</li> <li>2. A deferral can be for up to 5 years. If the entire property is sold, all tax payments deferred are immediately due.</li> <li>3. All other terms of the exemption or deferral are determined by the municipality</li> </ol>
		<p><b>NEW: Section 1 – Page 2, Lines 12-13</b>  Allows the 8-unit requirement to be at the time of application for deferral or exemption, or at the time of completion.</p>
		<p><b>NEW: Section 1 – Page 2, Lines 14-18</b>  Allows a single entity that owns multiple residential properties in a designated deteriorated area, to be considered collectively for the 8-unit requirement.</p>
		<p><b>NEW: Section 1 – Page 2, Line 27</b>  Technical change to include the word “not” – this will allow the optional deferral or exemption on properties over 15 years of age that have <u>not</u> already undergone renovation.</p>
		<p><b>Section 2 – Page 2, Line 31 &amp; Page 3, Lines 1-14</b>  Original language of CSHB 146(CRA)</p>

# Fiscal Note

State of Alaska  
2015 Legislative Session

Bill Version:	SCS CSHB 146(CRA)
Fiscal Note Number:	2
(S) Publish Date:	4/11/2015

Identifier: HB146SCSCS(CRA)-DCCED-CRA-04-10-15  
 Title: MUNICIPAL TAX EXEMPTION  
 Sponsor: MUNOZ  
 Requester: (S) Finance

Department: Department of Commerce, Community and  
Economic Development  
 Appropriation: Community and Regional Affairs  
 Allocation: Community and Regional Affairs  
 OMB Component Number: 2879

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2016	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2016 Request	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>OPERATING EXPENDITURES</b>	<b>FY 2016</b>	<b>FY 2016</b>					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
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**Estimated SUPPLEMENTAL (FY2015) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2016) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
 If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Updated in response to the combination of SB87 and HB146.
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Prepared By:	Katherine Eldemar, Director	Phone:	(907)465-8256
Division:	Division of Community and Regional Affairs	Date:	04/10/2015 10:55 AM
Approved By:	Catherine Reardon, Director	Date:	04/10/15
Agency:	Division of Administrative Services, DCCED		

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2015 LEGISLATIVE SESSION

Analysis

HB 146 amends AS 29.45.050 (o) to allow municipalities the option to partially or wholly exempt, and/or defer, the property taxes for all or a portion of specific deteriorated residential property. The exemption is restricted to property located in a deteriorating or deteriorated area within the municipality and is limited to ten years. The amendment adds a definition for deteriorated [residential] property such that it may be composed of more than one property as long as it is owned by the same entity and has eight or more residential units in that deteriorating or deteriorated area. The bill also gives municipalities the option to partially or wholly exempt the assessed value increase for all or a portion of newly subdivided parcels.

The Division does not anticipate a fiscal impact from passage of this bill.

## Terry Harvey

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**From:** Herman, Marcy J (EED) <marcy.herman@alaska.gov>  
**Sent:** Wednesday, April 15, 2015 2:07 PM  
**To:** Terry Harvey; Crystal Koeneman  
**Cc:** Peterson, Darwin R (GOV); Wilcox, Lacy J (GOV); McClanahan, Natasha S (GOV); Grant, Jordyn A (GOV)  
**Subject:** EED//HB 146

Hey Terry & Crystal,

Below is Elizabeth's response to your question. Additionally, she listened to Ron Brown's testimony in SFIN committee from yesterday before responding.

How does HB146 effect the state and local finances?

The foundation formula bases the required local contribution on the full and true value of the taxable real and personal property in the district as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110.

What Ron Brown the state assessor testified to is that there are optional and mandatory exemptions and that the optional exemptions do not decrease the DCCED full and true value that is reported to DEED. Because the full and true value reported to DEED is not reduced for optional exemptions, there is not a reduction in the required local effort and therefore the local share versus the state share does not change based on optional exemptions.

So far as the local effect, the foundation requires 2.65 mils of local contribution on full and true value without subtraction of the optional exempt property as discussed above. Because the total 2.65 mil contribution is still required but some property is exempted or deferred the burden of funding the exempted or deferred 2.65 mil local effort for education would need to come from another place, for example the remaining municipality tax payers.

Please let me know if there are additional questions.

Thank you,

Marcy

Marcy Herman  
Special Assistant to the Commissioner  
Alaska Department of Education & Early Development  
P.O. Box 110500  
Juneau, AK 99811  
(907)465-2803

## Terry Harvey

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**From:** Bob Bartholomew <Bob.Bartholomew@juneau.org>  
**Sent:** Tuesday, April 14, 2015 10:41 AM  
**To:** Kevin Jardell; Terry Harvey  
**Cc:** Kim Kiefer  
**Subject:** State FTV Calculation  
**Attachments:** Full Value Determination Worksheet 2014.pdf

Hello,

Attached is 2014 State Assessor Worksheet for calculating CBJ Full & True Value (Real & Personal Property Values). You can see in Column 3 where the Locally Optionally Exempted Property is added back to get to FTV. FTV is multiplied by 2.65 Mills to determine the local minimum required school funding. So if you have increased value when real property is subdivided that increased value is included in FTV. **An optional exemption for that increased value does not change FTV. The local government would collect less in property taxes but still be obligated to pay the local minimum required school funding, based on FTV.**

Bob

Note: New E-mail address – Bob.Bartholomew@Juneau.org

Bob Bartholomew

Director of Finance

City and Borough of Juneau

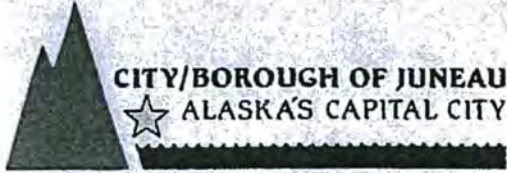
907.586.0300

**FULL VALUE DETERMINATION WORKSHEET  
OFFICE OF THE STATE ASSESSOR**

	<b>Municipality:</b>	<b>City &amp; Borough of Juneau</b>			<b>Valuation Year</b>
	<b>Population:</b>	<b>33,064</b>			<b>2014</b>
<b>Real Property</b>					
	<b>Locally</b>	<b>Optionally</b>	<b>Total</b>		<b>OSA</b>
<b>Explanation</b>	<b>Assessed \$</b>	<b>Exempted \$</b>	<b>Taxable \$</b>	<b>Ratio</b>	<b>Full Value \$\$\$</b>
	THIS LINE RESERVED FOR OSA VALUES				
Comm. Purpose (Real)	\$0	\$20,426,200	\$20,426,200	97.34%	\$27,551,200 \$20,984,400
	\$0	\$0	\$0	97.34%	\$0
	\$0	\$0	\$0	97.34%	\$0
	\$0	\$0	\$0	97.34%	\$0
	\$0	\$0	\$0	97.34%	\$0
ALL	\$4,055,145,300	\$0	\$4,055,145,300	97.34%	\$4,165,959,800
<b>Real Property Total</b>	<b>\$4,055,145,300</b>	<b>\$20,426,200</b>	<b>\$4,075,571,500</b>		<b>\$4,214,495,400</b>
<b>Personal Property</b>					
		(Locally Est.)			
<b>Property</b>	<b>Locally</b>	<b>Optionally</b>	<b>OSA</b>		
<b>Type</b>	<b>Assessed \$</b>	<b>Exempted \$</b>	<b>Dollar Estimates</b>		<b>Full Value \$\$\$</b>
Motor Vehicles	\$0	\$0	\$164,784,443		\$164,784,400
Aircraft	\$2,392,189	\$2,054,200	\$14,655,987		\$19,102,400
Boats & Vessels	\$0	\$0	\$62,652,211		\$62,652,200
Mach/Equip/Fixt	\$340,185,044	\$48,859,407	\$0		\$389,044,500
Inventory	\$0	\$0	\$66,128,000		\$66,128,000
Export Mfg (BPP)	\$0	\$0	\$0		\$0
Comm Purpose (BPP)	\$0	\$0	\$0		\$0
1ST \$100K BPP	\$0	\$0	\$0		\$0
<b>Personal Prop. Total</b>	<b>\$342,577,233</b>	<b>\$50,913,607</b>	<b>\$308,220,641</b>	<b>Overall</b>	<b>\$701,711,500</b>
				<b>Ratio</b>	
<b>Real/Personal Total</b>	<b>\$4,397,722,533</b>	<b>\$71,339,807</b>	<b>\$4,383,792,141</b>	<b>89.45%</b>	<b>\$4,916,206,900</b>
<b>COMPILATION OF FULL VALUE</b>					
REAL PROPERTY			\$4,214,495,400		
PERSONAL PROPERTY			\$701,711,500		
STATE ASSESSED OIL & GAS (43.56)			\$0		
OIL & GAS SUPPL.			\$0		
<b>TOTAL FULL VALUE DETERMINATION</b>			<b>\$4,916,206,900</b>		<b>\$4,916,206,900</b>
			Includes 43.56		EXcludes 43.56
			Oil & Gas Prop.		Oil & Gas Prop.
Previous Years FVD :	\$4,892,381,900	0.49%	(Current year increase/(decrease) from previous year)		

**FULL VALUE DETERMINATION WORKSHEET**  
**OFFICE OF THE STATE ASSESSOR**

	<b>Municipality:</b>	<b>Sample</b>			<b>Valuation Year</b>
	<b>Population:</b>	<b>10,000</b>			<b>2015</b>
<b>Real Property</b>					
	<b>Locally</b>	<b>Optionally</b>	<b>Total</b>		<b>OSA</b>
<b>Explanation</b>	<b>Assessed \$</b>	<b>Exempted \$</b>	<b>Taxable \$</b>	<b>Ratio</b>	<b>Full Value \$\$\$</b>
	<b>THIS LINE RESERVED FOR OSA VALUES</b>			<b>RNHA</b>	<b>\$0</b>
\$50,000 Hmsted Ex.	\$0	\$30,000,000	\$30,000,000	95.00%	\$31,578,900
Over \$150,000 SC/DAV	\$0	\$17,000,000	\$17,000,000	95.00%	\$17,894,700
Deteriorated Property	\$0	\$1,000,000	\$1,000,000	95.00%	\$1,052,600
Newly Subdivided	\$0	\$5,000,000	\$5,000,000	95.00%	\$5,263,200
				95.00%	\$0
Local Assessed Real	\$500,000,000	\$0	\$500,000,000	95.00%	\$526,315,800
<b>Totals</b>	<b>\$500,000,000</b>	<b>\$53,000,000</b>	<b>\$553,000,000</b>		<b>\$582,105,200</b>
<b>Personal Property</b>					
	<b>Locally</b>	<b>(Locally Est.)</b>	<b>OSA</b>		
<b>Property Type</b>	<b>Assessed \$</b>	<b>Optionally Exempted \$</b>	<b>Dollar Estimates</b>		<b>Full Value \$\$\$</b>
Motor Vehicles	\$0	\$0	\$105,000,000		\$105,000,000
Aircraft	\$7,000,000	\$13,000,000	\$0		\$20,000,000
Boats & Vessels	\$0	\$2,000,000	\$0		\$2,000,000
Mach/Equip/Fixt	\$20,000,000	\$0	\$0		\$20,000,000
Inventory	\$0	\$0	\$10,000,000		\$10,000,000
Misc	\$14,000,000	\$0	\$0		\$14,000,000
Supplemental	\$0	\$0	\$0		\$0
<b>Personal Prop. Total</b>	<b>\$41,000,000</b>	<b>\$15,000,000</b>	<b>\$115,000,000</b>	<b>Overall Ratio</b>	<b>\$171,000,000</b>
<b>Real/Personal Total</b>	<b>\$541,000,000</b>	<b>\$68,000,000</b>	<b>\$668,000,000</b>	<b>71.84%</b>	<b>\$753,105,200</b>
<b>COMPILATION OF FULL VALUE</b>					
<b>REAL PROPERTY</b>			<b>\$582,105,200</b>		
<b>PERSONAL PROPERTY</b>			<b>\$171,000,000</b>		
<b>STATE ASSESSED OIL &amp; GAS (43.56)</b>			<b>\$0</b>		
<b>OIL &amp; GAS SUPPL.</b>			<b>\$0</b>		
<b>TOTAL FULL VALUE DETERMINATION</b>			<b>\$753,105,200</b>		
			<b>Includes 43.56</b>		
			<b>Oil &amp; Gas Prop.</b>		



**OFFICE OF THE MAYOR**

Telephone: (907) 586-5240; Facsimile: (907) 586-5385  
[Mayor@ci.juneau.ak.us](mailto:Mayor@ci.juneau.ak.us)

March 2, 2015

Representative Cathy Muñoz  
Alaska House of Representatives  
State Capitol, Room 501  
Juneau, AK 99801

Dear Representative Muñoz:

On behalf of the City and Borough of Juneau Borough Assembly, I wish to extend our support regarding changes to AS 29.45.041 as it pertains to tax deferral of certain subdivision property.

The Assembly Lands Committee and the Juneau Affordable Housing Commission reviewed requests brought forth from the Southeast Alaska Building Industry Association and the Alaska State Home Building Association requesting changing the tax deferral law to a tax abatement law. Assemblymember Kiehl, as the Lands Committee Chair, brought this request forward to the Assembly, and the Assembly, at its February 23, 2015 meeting, recommended forwarding a letter of support to your office.

As you are aware, affordable housing is one of the Assembly's stated goals. If legislation you are introducing regarding AS 29.45.041 helps create an incentive for builders within our community to develop more affordable housing that seems like a win-win for everyone in our community.

Thank you for moving this legislation forward, and for your dedicated service to the citizens of Juneau.

Sincerely,

Merrill Sanford  
Mayor

cc: Senator Dennis Egan  
Representative Sam Kito III  
Borough Assembly  
Affordable Housing Commission

### Juneau Affordable Housing Commission

2015 Commissioners

Tamara Rowcroft, Chair  
Mandy O'Neal Cole, Vice Chair  
Norton Gregory  
Russ McDougal  
Honey Bee Anderson  
Wayne Coogan  
Justin Shearer  
Margaret O'Neal

February 04, 2015

Jesse Kiehl, Chair  
Lands and Resources Committee  
City and Borough of Juneau  
155 S. Seward Street  
Juneau, AK 99801

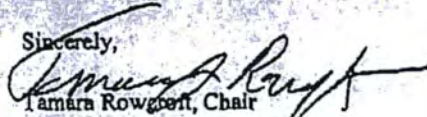
Re: Subdivision Tax Deferral vs. Abatement

Dear Mr. Kiehl and the Lands and Resources Committee,

The Juneau Affordable Housing Commission (AHC) supports the concept of subdivision tax abatement as an incentive for the development of affordable housing in our community. At our April 01, 2014 meeting we passed a unanimous motion to ask the City of Borough of Juneau to support state legislation that would change the current tax deferral law to a tax abatement law. This concept is supported by the local Southeast Alaska Building Industry Association (SEABIA)

We are asking the Lands and Resources committee to support this concept and move it forward for review and approval by the Assembly.

Sincerely,



Tamara Rowcroft, Chair  
Juneau Affordable Housing Commission

**CITY OF UNALASKA**  
P.O. Box 610  
Unalaska, AK 99685-0610  
(907) 581-1251 Fax (907) 581-4469



March 17, 2015

**Representative Cathy Munoz**  
Alaska House of Representatives  
State Capitol, Room 501  
Juneau, AK 99801

RE: HB 146

Dear Representative Munoz:

On behalf of the City of Unalaska, I wish to extend our support regarding changes to AS 29.45.041 as it pertains to tax exemption/deferral of certain subdivision property.

HB 146 would give municipalities the flexibility to abate increases in property taxes on subdivided parcels until a lot is sold or a city grants a building permit for that piece of property. It would allow local governments to adopt optional abatement for all or a portion of a subdivided portion. It would let a municipality decide the terms of paying the tax abatement and when those payments would be due.

The purpose of the bill is to encourage land development for more housing and let local governments decide whether property tax abatement will benefit them. This is an important issue in Unalaska and would help us address our ongoing housing shortage.

I urge the legislature to pass this bill.

Sincerely,



Mayor Shirley Marquardt  
City of Unalaska



ALASKA ASSOCIATION OF REALTORS, INC.  
4205 Minnesota Drive Anchorage, Alaska 99503  
Telephone (907) 563-7133 Fax (907) 561-1779  
www.alaskarealtors.com

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March 26, 2015

Representative Cathy Muñoz  
State Capitol Room 501  
Juneau AK, 99801

Ref: HB 146 "Municipal tax exemption for certain subdivided property"

Dear Representative Muñoz:

HB 146 was reviewed by the Alaska Association of REALTORS® Legislative Issues Committee today and received unanimous support for adoption by the Alaska Legislature. This bill clarifies the language in a previous statute adopted in 2012. With this passage of HB 146, municipalities will have the authority to exempt property taxes to be levied on certain subdivided property. This legislation will help hold down development costs in a multi-lot subdivision and increase the availability of housing for Alaskans across the State.

Sincerely,

A handwritten signature in cursive script that reads 'Errol Champion'.

Errol Champion  
Chairman, Legislative Issues Committee  
Alaska Association of REALTORS®



Mayor Sanford and Assembly Members

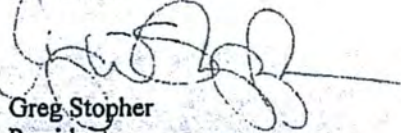
2/4/2015

from the Mayor, Representative Munoz is in a position to facilitate introduction of legislation for the proposed change to AS 29.45.041.

Time is of essence on this matter as the legislative session is underway and time is short for introduction of legislation.

We appreciate your support on this matter.

Sincerely,



Greg Stopher  
President

Southeast Alaska Building Industry Association

cc: Representative Cathy Munoz  
CBJ Affordable Housing Commission  
Alaska State Home Building Association  
SEABIA Board of Directors



## Southeast Alaska Building Industry Association

9085 Glacier Hwy., Ste. 202 • Juneau AK 99801 • (907) 463-5774 • Fax (907) 463-5821  
E-mail: [seabia@gcl.net](mailto:seabia@gcl.net) • Web site: [www.seabia.com](http://www.seabia.com)

February 4, 2015

### 2015 Board of Directors

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*Stopher Construction*

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*Mac's Design & Construction*

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*Alpine Construction Enterprises*

Charlie Ford  
Associate Director  
*City & Borough of Juneau*

Mike Ban  
Associate Director  
*EXIT Realty*

### Staff

Laura Baker  
Executive Officer  
*SE Alaska BIA*

The Honorable Mayor Sanford  
Assembly Members  
City and Borough of Juneau  
155 S. Seward Street  
Juneau, AK 99801

Dear Mayor and Assembly Members:

I am writing to ask for your support for a legislative change to AS 29.45.051 pertaining to tax deferral for certain subdivision property.

Representative Munoz introduced legislation to defer increased property tax on newly created subdivisions for a period of five years or until sold. This legislation was at the request of members of the Southeast Alaska Building Industry Association (SEABIA) and the Juneau Affordable Housing Commission as well as the Alaska State Home Building Association (ASHBA). Representative Munoz was well aware of the housing issues facing Juneau as she is a past Chairwomen of the Juneau Affordable Housing Commission. The legislation passed and was put into law locally the following year with City Ordinance #2013-20(b).

Since passage of the property tax deferral legislation and local acceptance of it few builders/developers have used the deferral. Reports from these people to Representative Munoz' office have stated that the incentive is not enough for the work to take advantage of a deferral given that the added tax liability created when subdividing raw land is still owed. Developer's experience across the state has shown that lots created have been lost due to unpaid property taxes given the ups and downs of the state economy.

A tax exemption of the increased tax amount due when creating additional lots will put more buildable lots on to the real-estate market. This exemption will not affect local government revenue as it is an exemption of only the increase in value of the property. The tax amount on a property would remain the same until the new lots for a period of five years or until lots are sold. It is the belief of ASHBA, SEABIA and members of the Juneau Affordable Housing Commission that the exemption will in fact create additional property tax income. As new lots become available homes will be built, thus increasing the purchased/developed lots value 100 fold.

The proposed change from a deferral to an exemption was brought to the attention of the Affordable Housing Commission and the Mayor almost a year ago, with SEABIA's understanding that a letter of support would be sent from the Mayor to Representative Munoz last spring. At this time, it is our understanding that Representative Munoz is waiting on a signed letter from the mayor. With support



**Alaska State  
Home Building Association**

March 15, 2015

Representative Cathy Muñoz  
Alaska House of Representatives  
State Capitol, Room 501  
Juneau, AK 99801

Dear Representative Muñoz:

On behalf of the members of the Alaska State Home Building Association, I would like to express our support for HB146 regarding newly subdivided properties.

Our state association is made up of six local homebuilder associations that include Kenai Peninsula, Interior Alaska, Matsu, Anchorage, Northern Southeast and Southern Southeast.

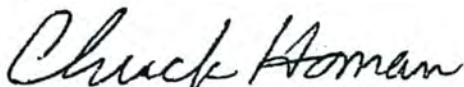
Building affordable housing in Alaska is our most formidable challenge with the few building materials available locally, high costs of land development, increasing regulatory codes and the cost of extending infrastructure like roads and utilities.

Alaska is the 4<sup>th</sup> most expensive state to live in; mostly due to housing costs. The median list price of homes in the state is \$252,000. Homes cost more in Juneau (where the median is around \$315,000) than in Kenai (where the median sits at around \$200,000).

This legislation could provide some relief for the tremendous risk and cost of land development and will directly impact the end cost of a development lot, and the final cost of a new home.

Thank you for introducing this legislation and for your dedicated service to Alaskan citizens.

Sincerely,



Chuck Homan, President  
Alaska State Home Building Association

P.O. Box 91444 • Anchorage, Alaska 99509  
Phone (907) 644-4190 • FAX (888) 732-1401  
Website: [www.buildersofalaska.com](http://www.buildersofalaska.com)  
E-mail: [alaskastatehomebuildingassoc@gmail.com](mailto:alaskastatehomebuildingassoc@gmail.com)

Russell McDougal  
Mac's Design & Construction  
P.O. Box 32335  
Juneau, AK 99803

February 4, 2015

To: Mayor Merrill Sanford  
City and Borough of Juneau Assembly Members

Re: Support of Land Development Tax Deferral Change to Exemption

The City and Borough of Juneau (CBJ) residents are suffering from a housing shortage. The 2008 CBJ Comprehensive Plan documents the following:

- Insufficient supply of housing to provide residents adequate choice in housing size, location and price.
- Many residents live in overcrowded and/or unsafe and unsanitary conditions.
- Many households are paying more than 30% of their household income for shelter.

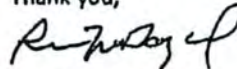
Providing affordable housing has been a top priority for the CBJ for quite some time.

I am writing in regard to AS 29.45.051 tax deferral for certain subdivision property. The Alaska Legislature passed this statutory change in response to builders across the state through the Alaska State Home Building Association (ASHBA), including the local Southeast Alaska Building Association (SEABIA) here in Juneau. In response to the building community, the City and Borough of Juneau passed a city ordinance, #2013-20(b) on the 19<sup>th</sup> of August 2013 to implement the tax deferral program.

This tax deferral was adopted to help construction contractors develop and make available more property in the borough to meet the housing needs in our area, including affordable housing. However, the deferral law has not provided the incentive hoped for in the original legislation.

The Juneau Affordable Housing Commission and the ASHBA are asking the City and Borough of Juneau to support a change to AS 29.45.051 for a tax exemption in order to provide land owners and developers the kind of incentive they need to build more subdivisions. By writing a letter of support of this legislative change to our local delegation, we can build a better capital city.

Thank you,



Russ McDougal  
Owner, Mac's Design & Construction  
Member, Juneau Affordable Housing Commission  
Builder Director, ASHBA & SEABIA

**From:** Ryan Strong [<mailto:RStrong@FNBAAlaska.com>]  
**Sent:** Tuesday, March 24, 2015 7:49 AM  
**To:** 'representative.laura.reinbold@akleg.gov'; Rep. Cathy Tilton; Rep. Cathy Munoz  
**Subject:** HB 146

Dear Rep. Reinbold,

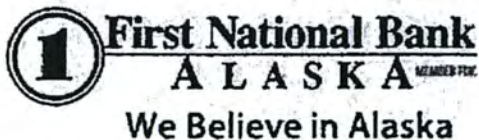
My name is Ryan Strong, and I am one of your constituents from Eagle River. I work as a banker and serve on the state board of the Alaska home building association.

Please support HB146, an Act creating an option for local governments to encourage land development through tax policy. As a local option, HB146 is a tool for local governments to use at their discretion. It can be used in areas where development costs are high and hinder opportunities to expand housing opportunities.

Sincerely,

**Ryan Strong | Senior Vice President**

**Mortgage Lending Director NMLS #814006**



101 W. 36th Ave., Ste. 216 | Anchorage, AK | 99503

Office: 907-777-5620 | Fax: 907-777-5681 | Cell: 907-382-1325

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**PREPARED STATEMENT OF GABE LAYMAN  
Executive Vice President & General Counsel  
Cook Inlet Housing Authority**

**TO THE ALASKA SENATE  
COMMUNITY AND REGIONAL AFFAIRS COMMITTEE**

**REGARDING SENATE BILL 87**

**March 31, 2015**

Good afternoon, Chairman Bishop and distinguished members of the Senate Community and Regional Affairs Committee. I appreciate the opportunity to testify briefly this afternoon regarding Senate Bill 87.

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.

SB 87 is legislation that could have positive statewide impacts. But to make clear what SB 87 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. SB 87 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 SB 87 do NOT do. Neither the existing statute nor SB 87 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.

SB 87 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. SB 87 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. SB 87 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, SB 87 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 4<sup>th</sup> 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, SB 87 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.



**PREPARED STATEMENT OF GABE LAYMAN  
Executive Vice President & General Counsel  
Cook Inlet Housing Authority**

**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 4<sup>th</sup> 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.



**Anchorage Office  
Headquarters**  
3801 Centerpoint Drive  
Suite 200  
Anchorage, Alaska 99503  
907 562-6464

**Eagle River  
Office**  
16635 Centerfield Drive  
Suite 103  
Eagle River, Alaska 99577  
907 689-6464

**Mat-Su Valley  
Office**  
865 N. Seward Meridian Pkwy.  
Suite 200  
Wasilla, Alaska 99654  
907 376-2414

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 Jack White Real Estate 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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907 376-2414

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,

**Naomi Louvier**  
President/Owner



**Jack White**  
Real Estate

3801 Centerpoint Drive, #200  
Anchorage, AK 99503  
(907) 273-7266- Phone | (907) 762-3189 or 562-5485- Fax



April 3, 2015

The Honorable Senator Kevin Meyer  
State Capitol Room 111  
Juneau, AK 99801

**RE: SB 87 – An Act relating to the optional exemption from and deferral of payment of municipal taxes on deteriorated property**

Dear Senator Meyer:

As the founder and President of Weidner Apartment Homes, I'm writing you today to express my strong support for SB 87 and to thank you for introducing the bill. My company owns 42 properties totaling just over 5,100 apartment homes in Alaska. With a 34 year history of owning, managing, and developing multi-family properties here locally, we have a vested interest in the city's long term economic success. I believe that the sort of incentives that this legislation allows for would spur the significant amount of development that is required to meet the projected housing needs as outlined in the *2012 Anchorage Housing Market Analysis* commissioned by the MOA.

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:

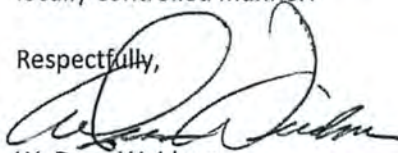
1. Currently, a residential property may be eligible to receive optional property tax abatement from a municipality if it is a "multi-unit residential property with at least eight residential units [.]". This language is ambiguous and has confused both municipal officials and developers. SB 87 would 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.

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.

As a developer, our desire is to bring projects to market that meet a need, are feasible to produce, and make economic sense to our bottom line. Due in large part to the challenges inherent in building in such a remote state, the tax abatements that are allowed for in this bill are vital to making projects pencil, and convincing builders to pursue these sorts of developments.

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,



W. Dean Weidner  
Founder and President  
Weidner Apartment Homes.



March 31, 2015

Senator Kevin Meyer  
Senate President  
Alaska State Legislature

Dear Senator Meyer,

I am writing to thank you for introducing SB87 which clarifies an unclear section of state law regarding multi unit residential development in areas declared to be deteriorated properties by municipal governments. We fully endorse your bill.

This issue has come up in the deteriorated area designation by the Municipality of Anchorage in the Fairview neighborhood. The intent of the current statute seems clear, which is to encourage higher density housing developments on deteriorated properties, but the statute focuses on the existing properties rather than on the finished construction of 8 or more units which could include more than one parcel of land.

We have discussed this with developers, and although the intent of the statute seems clear, they are reluctant to make investments until they are sure their developments will qualify under the statute.

The tax abatement tool is an important one for communities wanting to redevelop challenged areas and improve the availability and quality of their housing stock. Your bill will help make this happen.

Sincerely,

Heidi Heinrich  
Chairman of the Board  
Fairview Business Association

# PEACH INVESTMENTS, LLC

March 31, 2015

The Honorable Senator Kevin Meyer  
State Capitol Room 111  
Juneau, AK 99801

RE: Senate Bill 87 – "An Act relating to the optional exemption from and deferral of payment of municipal taxes on deteriorated property"

Dear Senator Meyer:

I am reaching out to you today on behalf of our family company, *Peach Investments LLC*, as the owner of a number of properties in Anchorage and a committed stakeholder in our city's long-term economic success, to express our strong support for Senate Bill 87, and to thank you for introducing this bill.

Our company has continue to experience the challenges of transforming deteriorated properties and the high cost of property development and construction in Anchorage. We support SB-87 and the opportunities it creates for the Alaska communities: to foster revitalization of aging properties; to bring new investments to downtown Anchorage and other older neighborhoods; and to create robust public-private partnerships with businesses like ours who are committed to making this "long term" investment in Alaska's economic future.

As stated in AS 29.45.050(o), Alaska law enables municipalities to offer property tax incentives for the rehabilitation, renovation, demolition, or redevelopment of deteriorated properties. The intent of granting temporary tax abatement for deteriorated properties is to give municipalities an *optional* tool to encourage innovative redevelopment projects in blighted areas that are not attractive nor financially feasible to private development. Municipalities can choose to employ this tool to incentivize development in certain neighborhoods or designated areas by providing a mechanism to pay for public infrastructure upgrades so desperately needed in these areas, and to ultimately increase the municipal tax base when these properties are redeveloped for more desirable uses.

This tool also provides a significant opportunity for our municipality, but not a mandate, to attract good, visible development in our community. Neither the current law nor SB-87 places any requirement on a municipality to use deteriorated property tax abatements, and each redevelopment project proposed under this scheme may be evaluated (and specific exemptions granted) on a case-by-case basis.

While the optional tax abatement for redevelopment has been available in Anchorage for several years, it has not often been used nor been fully available to property owners of deteriorated properties. As a developer, I know many of my colleagues would agree that it can be very difficult

March 31, 2015

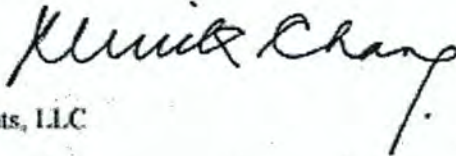
to even qualify a clearly-deteriorated property for a redevelopment project, due to some of the technical issues in existing statute, which SB-87 seeks to address:

- As currently written in statute, residential property may be eligible to receive optional property tax abatement if it is a "multi-unit residential property with at least eight residential units" This language is ambiguous and confuses municipal officials and developers. SB-87 clarifies that this requirement may be satisfied either at the time of application for abatement, or upon completion of the proposed project. This preserves the intended applicability of the statute to larger development projects that have broad community benefit, such as promoting development of more housing in established neighborhoods, but recognizes that those benefits are likely to be realized after a project is completed.
- SB-87 also amends the section to clarify that when a single entity owns multiple residential properties within a designated deteriorated area, those properties can be counted collectively to satisfy the eight-unit threshold. This provides flexibility to municipalities to craft incentives for larger redevelopment projects that meet their specific goals. It provides incentives for private developers to consider innovative, multi-site projects which have potential to transform a neighborhood and catalyze other investment in the area.
- One word can make a big difference. Current statute AS 29.45.050(o)(2) allows a property to qualify as deteriorated if it "has a structure on it not less than 15 years of age that has undergone substantial rehabilitation, renovation, demolition, removal, or replacement." Because a deteriorated property has generally become deteriorated because it has *not* undergone any renovation efforts, this wording is either an error in the original language, or creates a much higher threshold for qualifying, and cost burden on its owner, for a property that is currently unattractive or financially prohibitive to invest in. Adding the word "not" will qualify these older properties that have become deteriorated because they are no longer sensible investments.

Lastly, I want to thank you again for your willingness to introduce SB-87. Municipalities like Anchorage and businesses like ours have a shared interest and common goal in making good development happen: it serves the community need for housing and commerce, and supports positive, long-term investment in our city. Municipal tools such as tax abatement, vastly improved by this legislation, will empower local governments to partner with the private sector to ensure property development occurs where and how it is most needed in the community.

Respectfully,

Derrick Chang  
Peach Investments, LLC  
Owners Rep



PO BOX 33288  
ANCHORAGE, AK 99509-3288  
PHONE: (907) 561-7780 • FAX: (907) 561-6699

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*Vice Chair – James Hsieh BDO USA, LLP.*  
*Secretary/Treasurer – Marilyn Romano Alaska Airlines*  
*Alaska Communications Randy Ritter*  
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*Alaska USA Federal Credit Union Wayne Bailey*  
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*ConocoPhillips Michael Carr*  
*DOWL Steve Nicbio*  
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*Premiera Blue Cross Blue Shield of Alaska Lynn Rust Henderson*  
*Professional Growth Systems William Dann*  
*Providence Alaska Medical Center Kirsten Schultz*  
*Stantec Timothy Vig*  
*The Wilson Agency, LLC Lon Wrisan*  
*Totem Ocean Trailer Express Grace Greene*  
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*State of Alaska, DCCED Jonathan Bittner*  
*Ted Stevens Anchorage International Airport John Parratt*  
*University of Alaska Anchorage Thomas Case*  
*University of Alaska Board of Regents Mary Hughes*  
*Visit Anchorage Julie Saupe*

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 am writing on behalf of Anchorage Economic Development Corporation (AEDC) in support of 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.

Optional tax incentives for the redevelopment of deteriorated properties are 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.
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.

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*Northern Air Cargo Sami Glascott*

*Northern Bank Larry Cooper*

*Pacific Northwest Regional Council of Carpenters Scott Hansen*

*Premiera Blue Cross Blue Shield of Alaska Lynn Rust Henderson*

*Professional Growth Systems William Dann*

*Providence Alaska Medical Center Kirsten Schultz*

*Stantec Timothy Vig*

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*Totem Ocean Trailer Express Grace Greene*

*Walsh Sheppard Jack Sheppard*

*Weidner Apartment Homes Gregory Cerbano*

*Wells Fargo Bank NA Joseph Evertart*

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*Anchorage School District Ed Graff*

*Anchorage Water and Wastewater Utility Andrew Eker*

*Artique, Ltd. Tenny Owens*

*AT&T Alaska Chris Brown*

*Chugiak-Eagle River Chamber of Commerce Susan Gorski*

*Delta Air Lines Tony Ganchev*

*Girdwood 2020 Diana Stone Livingston*

*KeyBank Brian Nerland*

*Lynden & Past Chairman of the AEDC Board Dennis Mitchell*

*Municipal Light & Power*

*Port of Anchorage Steve Ribuffo*

*RIM Architects Larry Cash*

*State of Alaska, DCCED Jonathan Britner*

*Ted Stevens Anchorage International Airport John Pazzotti*

*University of Alaska, Anchorage Thomas Case*

*University of Alaska Board of Regents Mary Hughes*

*Visit Anchorage Julie Southe*

Your willingness to introduce SB 87 is a significant step and, when passed, this legislation will boost AEDC's initiative to make Anchorage the number one city in America to live, work and play by 2025. This legislation affects two main areas of focus being undertaken by the initiative, Housing and Creative Placemaking. The economic development outcomes from this legislation will help the state as well as further empower municipalities to address blight and deterioration in a manner that is best suited at the local level.

Sincerely,



Bill Popp

President & CEO

Anchorage Economic Development Corporation

The Honorable Senator Click Bishop  
Chair, Senate Community & Regional Affairs Committee  
State Capitol Room 111  
Juneau, AK 99801



333 West 4<sup>th</sup> Avenue, Suite 317  
Anchorage, AK 99501  
Tel. 907-279-5650  
Fax 907-279-5651

March 27, 2015

Honorable Senator Bishop:

On behalf of Anchorage Downtown Partnership, Ltd. – a nonprofit community organization created by the business and property owners of downtown Anchorage – I write to you today in support of SB 87.

In our community, there is increasing need to rehabilitate, renovate, demolish, remove, or redevelop deteriorated buildings and properties. Though we are a relatively young municipality, much of our existing building inventory is reaching the end of its usable life and/or the property is not being utilized to its full potential. When combined with the lack of buildable land left in Anchorage, a severe housing shortage for our growing population, and the high costs associated with redevelopment, it becomes clear that a tool is needed for municipalities to encourage innovative redevelopment in their most blighted areas – including parts of downtown Anchorage.

Currently, AS 29.45.050(o) authorizes participating municipalities to incentivize redevelopment of deteriorated commercial or multi-family residential properties through partial or total tax abatement or deferral. However, these incentives are underutilized because of shortcomings with the statute. SB 87 will correct those shortcomings.

For example, AS 29.45.050(o) limits the property tax abatement or deferral to “multi-unit residential property with at least eight residential units,” and does not allow for the incentive to apply to a property or properties with the *potential* to build eight units or more. In other words, it does not allow a municipality to incentivize the redevelopment of an underutilized and deteriorated property that has the potential for greater utility.

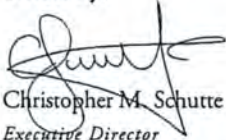
SB 87 will modify AS 29.45.050(o) to allow a municipality to offer tax incentives to projects that satisfy the eight-unit requirement either at the time of application for exemption/deferral *or* at the time of the completion of the project for which an exemption or deferral is requested. This preserves the statutory intention that this tool only applicable to larger development projects that have broad community impacts.

SB 87 also will modify AS 29.45.050(o) to clarify that a municipality may offer tax incentives to a single entity that owns multiple residential properties within a deteriorated area *only if* the collective properties will satisfy the statute's eight-unit minimum, providing municipalities greater flexibility to craft incentives for larger redevelopment projects that meet their specific goals.

Passage of SB 87 will empower municipalities to address blight and deterioration in a locally-controlled manner through optional tax abatement and deferral. The changes proposed in this legislation will go a long way toward making it easier for participating municipalities to incentivize the redevelopment of deteriorated and underutilized properties, encourages much needed multi-family residential development in Anchorage, and provides opportunities for the private sector to pursue denser mixed-use development.

I strongly support the passage of SB 87 and thank you for your service to our state.

Sincerely,



Christopher M. Schutte

*Executive Director*

*Anchorage Downtown Partnership, Ltd.*

CC: Senator Bert Stedman  
Senator Lyman Hoffman  
Senator Anna McKinnon  
Senator Dennis Egan  
Senator Kevin Meyer



ASSOCIATION OF  
ALASKA HOUSING AUTHORITIES

*Building communities, empowering Alaskans.*

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 the Association of Alaska Housing Authorities and the 14 regional housing authorities represented, 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 is 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.



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.

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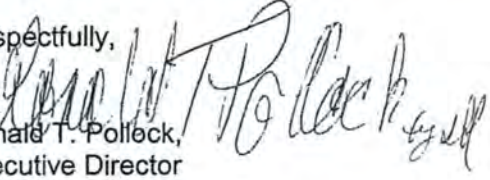
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245 West 5<sup>th</sup> Avenue, Suite 122  
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(907) 276-7275 FAX (907) 279-5073  
[www.acda.net](http://www.acda.net)

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



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 the Anchorage Community Land Trust to express our strong support for SB 87 and to thank you for introducing the bill.

As you know from your prior visits with us, the Anchorage Community Land Trust ("ACLT") works in the lowest income areas of Anchorage to encourage business and community growth. One of the key ways we do this is through purchasing and redeveloping deteriorated commercial properties. This is an expensive and difficult process, but it is necessary to catalyze otherwise forgotten areas of the Municipality. This approach has led to many successes, including the Mountain View Service Center, which brings hundreds of people to the neighborhood to work and to attend trainings. This in turn brings positive economic growth.

A key part of redeveloping communities lies not just with commercial activity, but with housing and the life residents can make for themselves in their community. As housing becomes a more pressing issue in Anchorage and around the State, we support efforts by the Legislature to help those catalytic processes of commercial and housing redevelopment.

We therefore strongly support SB 87 and the amendments to the Alaska law giving 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.

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. We believe this is important, giving municipalities the flexibility to address their own economic and housing redevelopment needs.

March 27, 2015  
The Honorable Representative Kevin Meyer

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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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,



Kirk J. Rose  
Executive Director,  
Anchorage Community Land Trust

# The Bellingham Herald

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## Verdict in: Tax break for housing developers works

By TACOMA NEWS TRIBUNE

The News Tribune October 11, 2013

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Court 17 apartments at Court C and South 17th streets, built using Tacoma's tax abatement incentive, cater to University of Washington Tacoma students.

STAFF FILE PHOTOT

It's always nice — and a bit surprising — when a tax break works as advertised.

Tacoma's tax abatement for multi-family housing construction in select neighborhoods seems to be doing just that.

The state law behind it allows cities and counties to offer an eight- to 12-year exemption from property taxes on newly built apartments and condominiums in districts starved for development.

The incentive is designed to jump start construction projects that might otherwise not happen. In theory, the city isn't giving up tax revenues, because the revenues wouldn't exist unless the projects materialized in the first place. After eight years (12 if the building offers low-income housing), the money rolls in. In the meantime, the developer still pays tax on the underlying land.

The long tax holiday was controversial when the city began deploying it on a large scale in the early 2000s. Some critics offered what might be called an Occupy Wall Street argument: It helped people who had money, so it had to be bad.

But now that the buildings are coming on the tax rolls, all Tacomans — not just developers — are benefiting from the larger tax base. The incentive helped launch the creation of 2,550 new housing units; next year alone, \$48.8 million worth of exempted construction will be paying taxes for the first time.

The city staff estimates that by 2018, when the first round of projects will have lost their exemptions, Tacoma's property tax collections will have jumped by \$6.1 million.

That money can be used for public safety, streets, libraries and other broad needs. To the extent it wouldn't have existed without the program, it's pure profit.

It also serves other priorities, such as relief for distressed business districts and higher population density for the

environment's sake.

Tacoma's successful experience should be valuable for other local governments. Pierce County has used the exemption to help launch the \$20 million Garfield North near Pacific Lutheran University. University Place is contemplating using it to encourage a second mixed-use complex in its long-stagnant Town Center.

Town Center could be an excellent candidate for the program. The City of University Places owes about \$50 million on the property and related infrastructure. It desperately needs the taxes from private development would provide. But it won't see a dime from a housing project unless it actually gets built.

As Tacoma has now demonstrated, a temporary tax boon to developers is an option that can pay off for entire communities.

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