

Submitted by: Chair of the Assembly at the
Request of the Mayor
Prepared by: Chief Fiscal Officer
For reading: March 9, 2021

ANCHORAGE, ALASKA
AR No. 2021-76

**A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY APPROVING
DETERIORATED PROPERTY TAX EXEMPTION UNDER ANCHORAGE
MUNICIPAL CODE CHAPTER 12.35 FOR IMPROVEMENTS CONSTRUCTED
ON THE PARCELS LEGALLY DESCRIBED AS LOT 1, FIRST ADDITION TO
SASSE SUBDIVISION PER PLAT NO. P-203, (010-113-46-000); LOT 2, FIRST
ADDITION TO SASSE SUBDIVISION PER PLAT NO. P-203, (010-113-47-000);
T13N R4W SEC 25 N2NE4NW4SE4 PTN M/B (010-113-48-000); T13N R4W SEC
25 S2NE4NW4SE4 PTN (010-113-49-000); AND LOT 101, PRICE SUBDIVISION
PER PLAT NO. P-143, (010-114-19-000).**

WHEREAS, Assembly Ordinance AO No. 2020-97 designated the Central Spenard Area from the Anchorage 2040 Land Use Plan as deteriorated area; and

WHEREAS, on December 17th, 2020, Cook Inlet Housing Authority (“CIHA”) submitted an amended application for deteriorated property real property tax exemption under AMC Chapter 12.35 for parcels 010-113-46-000, 010-113-47-000, 010-113-48-000, 010-113-49-000, and 010-114-19-000 (collectively, the “Property”); and

WHEREAS, three of the lots are vacant and two of the lots have nominal improvements: fencing and light poles; and

WHEREAS, CIHA plans to develop affordable housing (“Improvements”) on the Property in several phases; and

WHEREAS, CIHA plans to build three buildings summing to 48 affordable housing units in phase one located near jobs, shopping, and public transportation; and

WHEREAS, deteriorated property is eligible for partial or total exemption of real property taxes for up to ten (10) years after substantial completion of or beneficial occupancy of any improvements constructed thereon; and

WHEREAS, the Chief Fiscal Officer analyzed CIHA’s application to determine whether the requirements under AMC Chapter 12.35 have been met; and

WHEREAS, the Chief Fiscal Officer determined that 100% of the taxable value of the Property is eligible for a ten-year exemption; and now, therefore,

THE ANCHORAGE ASSEMBLY RESOLVES:

Section 1. The Anchorage Assembly approves a tax exemption on 100% of the taxable value of the Property and Improvements for ten (10) years commencing

January 1 following substantial completion of the Improvements or beneficial occupancy of the Improvements.

Section 2. This resolution shall be effective immediately upon passage and approval by the Anchorage Assembly.

PASSED AND APPROVED by the Anchorage Assembly this _____ day of _____, 2021.

Chair of the Assembly

ATTEST:

Municipal Clerk

MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 159-2021

Meeting Date: March 9, 2021

From: MAYOR

SUBJECT: A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY APPROVING DETERIORATED PROPERTY TAX EXEMPTION UNDER ANCHORAGE MUNICIPAL CODE CHAPTER 12.35 FOR IMPROVEMENTS CONSTRUCTED ON THE PARCELS LEGALLY DESCRIBED AS LOT 1, FIRST ADDITION TO SASSE SUBDIVISION PER PLAT NO. P-203, (010-113-46-000); LOT 2, FIRST ADDITION TO SASSE SUBDIVISION PER PLAT NO. P-203, (010-113-47-000); T13N R4W SEC 25 N2NE4NW4SE4 PTN M/B (010-113-48-000); T13N R4W SEC 25 S2NE4NW4SE4 PTN (010-113-49-000); AND LOT 101, PRICE SUBDIVISION PER PLAT NO. P-143, (010-114-19-000).

Legal Framework. Alaska Statute 29.45.050(o) and AMC chapter 12.35 provide that real property determined to be deteriorated may be eligible to receive a partial or total property tax exemption for up to ten years and tax deferral for up to five years. These provisions aim to encourage development or redevelopment projects considered beneficial to the community in locations where tax incentives are necessary to ensure project feasibility or long-term economic viability. In 2020, pursuant to AO 2020-97, the Assembly designated the Central Spenard Area from the Anchorage 2040 Land Use Plan as deteriorated. The Central Spenard Area includes 36 tax parcels.

On December 17, 2020, Cook Inlet Housing Authority ("CIHA") applied for deteriorated property real property tax exemption for parcels 010-113-46-000, 010-113-47-000, 010-113-48-000, 010-113-49-000, and 010-114-19-000, all of which are located within the Central Spenard Area (the "Property"). Parcels 010-113-46-000 and -47-000 have fencing and or light poles summing to \$4,600 of assessed value in 2020. The remaining parcels are vacant. All parcels are classified as commercial property.

CIHA plans to develop affordable housing on the Property ("Improvements") in several phases. The project's overall goal is to provide affordable housing to low-income tenants near jobs, shopping, and public transportation. In the first phase, CIHA plans to build three buildings summing to 48 housing units. The first building will be a three-story, 19-unit senior apartment. The apartment will be a mix of one and two-bedroom units. The second building will be a three-story, 21-unit

multifamily apartment. This apartment will be a mix of one, two, and three-bedroom units. The third building will be a garden-style eight-plex comprised of two-bedroom units.

CIHA's application described the Property, discussed the eligibility of the Property, and provided supporting documentation of why the property tax exemption is necessary for initiating construction of the Improvements with a reasonable likelihood of long-term economic viability.

The Chief Fiscal Officer, in consultation with the Property Appraisal, Legal, and the Office of Economic & Community Development, conducted a review and analysis of the application to determine whether the requirements of AMC Chapter 12.35 have been met. CIHA's 30-year economic proforma was reviewed and analyzed based on a ten-year exemption on 100% of the Property and Improvements.

The Chief Fiscal Officer verified that the application is complete, determined that the Property met the definition of deteriorated property under AMC 12.35.005, and concluded that the Property met the criteria for a property tax exemption under AMC Chapter 12.35. See Memorandum, attached. The applicant's financial statement will remain confidential.

In summary, the Chief Fiscal Officer recommends property tax exemption on 100% of the Property and Improvements for ten (10) years commencing after substantial completion of construction or beneficial occupancy of the Improvements.

THE ADMINISTRATION RECOMMENDS APPROVAL.

Prepared by: Property Appraisal, and Office of Economic & Community Development

Approved: Alexander Slivka, CFO

Concurrence: Christopher M. Schutte, Director, OECD

Concurrence: Kathryn R. Vogel, Municipal Attorney

Concurrence: Anna C. Henderson, Municipal Manager

Respectfully submitted: Austin Quinn-Davidson, Acting Mayor

Attachments: Memorandum from Chief Fiscal Officer



MUNICIPALITY OF ANCHORAGE
Office of the Chief Fiscal Officer
Memorandum

DATE: March 2, 2021

TO: Acting Mayor Quinn-Davidson
Anchorage Assembly

FROM: Alexander Slivka, Chief Fiscal Officer (CFO)

SUBJECT: Review and recommendation of the eligibility on the Application for Deteriorated Property Tax Abatement from Cook Inlet Housing Authority.

Summary and Recommendation

Cook Inlet Housing Authority (CIHA) submitted an application to the Municipality of Anchorage (MOA) for deteriorated property on November 20th, 2020 for parcels 010-113-46-000, 010-113-47-000, 010-113-48-000, 010-113-49-000, and 010-114-19-000. CIHA then resubmitted their application on December 17th and then provided an addendum of evidence on February 12, 2021. These submissions start a review process under 12.35.010C. whereby the CFO shall verify the eligibility of an application.

The deteriorated property program is for a maximum of ten (10) years of tax exemption and a maximum of five (5) years of tax deferral under provisions of AMC 12.35.050. The application described the property, discussed the eligibility, and provided several attachments: Financial Feasibility Analysis, Projected Proforma Summary, and financial statements, which are confidential.

This administration believes that the application meets the requirements of AMC 12.35. The memorandum will discuss the municipal code, the contents of the application, and the eligibility of the property.

12.35 Deteriorated Property

Under AMC 12.35, there are two types of property that may qualify for a tax exemption, deferral, or renewal of tax abatements: deteriorated property or economic development property. Because the application was for the deteriorated property, this memorandum will not discuss economic development. The purpose to exempt, defer, or renew deteriorated property under 12.35 is to incentivize a safer, cleaner, or more desirable environment for commercial property that would otherwise not be financially feasible to improve. To qualify for these tax incentives, certain criteria must be met, which is laid out in code.

Application for Tax Incentive

AMC 12.35.010A.

AMC 12.35.010A. requires the application to be made in writing to the CFO or his designee. There are seven items that the application must contain:

1. A description of the property for which the application is made and the business in which it is to be used;
2. A description of the employment created or sustained by the property;
 - a. The requirement of this subsection does not apply to deteriorated property applications.
3. Demonstration that the property meets the requirements of this chapter;
4. Evidence that an exemption, deferral or renewal is necessary to:
 - a. The long-term viability of the business operation after expiration of the tax incentive(s); or
 - b. The economic feasibility of initiating an operation, program or project with a reasonable likelihood of long-term economic viability; and
 - c. Except for an application for deteriorated property, the proposed business operation or program or project will create additional employment for the community; and
 - d. Promote or improve the economic development of the Municipality.
5. Evidence that an exemption, deferral or renewal will provide measurable public benefits commensurate with the level of incentive granted;
6. Financial statement of the applicant; and
7. Other information as may be required by the finance department.

1: Description of the property

The description of the property was adequate. The parcels under application are located in the southwest corner of W 36th Avenue and Spenard Road as described in the table and depicted in Table 1 and Figure 1 below.

Parcel	Legal Description
010-113-46-000	Lot 1, First Addition to Sasse Subdivision per Plat No. P-203, subject to easements and reservations of record
010-113-47-000	Lot 2, First Addition to Sasse Subdivision per Plat No. P-203, subject to easements and reservations of record
010-113-48-000	T13N R4W SEC 25 N2NE4NW4SE4 PTN M/B
010-113-49-000	T13N R4W SEC 25 S2NE4NW4SE4 PTN
010-114-19-000	Lot 101, Price Subdivision per Plat No. P-143, subject to easements and reservations of record

Table 1: Properties under application

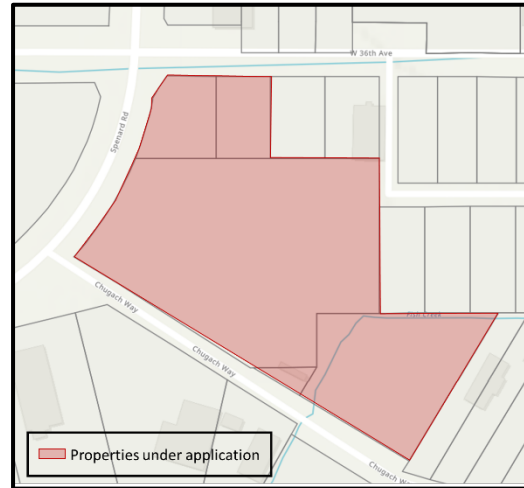


Figure 1: Properties under application

The two most northern lots currently are profiled as having a parking lot on the lot. The other lots, 010-113-48, 010-113-49, and 010-114-19, are profiled as vacant land.

CIHA plans to develop a housing compound on the five parcels in several phases. The overall goal of the project is to provide affordable housing near jobs, shopping, and public transportation to low-income tenants. In the first phase, CIHA plans to build three buildings summing to 48 housing units. The first building will be a three-story, 19-unit senior apartment. The apartment will be a mix of one and two-bedroom units. The second building will be a three-story, 21-unit multifamily apartment. This apartment will be a mix of one, two, and three-bedroom units. The third building will be a garden-style eight-plex comprised of two-bedroom units.

2: Description of Employment created or sustained

AMC 12.35.010A.2. requires the applicant to discuss the employment created or sustained if the application under review is for economic development property. This application is for deteriorated property; hence, this criteria is not applicable.

3: Chapter 12 Requirements

The third criteria states that the application must demonstrate that that property meets the requirements of this chapter. In order for the application to meet the requirements under this chapter, the property must meet the definition of deteriorated property defined in AMC 12.35.005. This office believes the property meets the definition of deteriorated property.

Deteriorated area means an area within boundaries designated by ordinance which meets one or more of the following criteria: unsafe, unsanitary or overcrowded buildings; environmentally contaminated; vacant, overgrown and unsightly lots of ground; a disproportionate number of tax delinquent properties; excessive land coverage; economically or socially undesirable land uses. Property adjacent to areas meeting these criteria, but which would not otherwise qualify, may be included within the deteriorated area designated in the ordinance if the assembly determines that new construction on such property would encourage, enhance or accelerate improvement of the adjacent deteriorated properties.

Deteriorated property means real property that, at the time of application, is commercial property not used for residential purposes or that is multi-unit residential property with at least eight residential units, and that meets one of the following:

1. Within the last five years, has been the subject of an order by a government agency requiring environmental remediation of the property or requiring the property to be vacated, condemned or demolished by reason of noncompliance with laws, ordinances or regulations; or
2. Has a structure on it not less than 15 years of age that has [not] undergone substantial rehabilitation, renovation, demolition, removal or replacement; or
3. Is located in a deteriorating or deteriorated area with boundaries that have been determined by the Municipality after a public hearing.

For the property to meet the definition of deteriorated property, the property, at the time of application, must be commercial property, and one of the three requirements need to be met. As of January 1, 2020, the property was classified as commercial property. We also reviewed all three requirements. The application spoke to the third requirement: “Is located in a deteriorating or deteriorated area with boundaries that have been determined by the Municipality after a public hearing.” In 2020, the Assembly designated the Central Spenard Area from the Anchorage 2040 Land Use Plan as deteriorate, AO No. 2020-97. We find that this property meets the third criteria under the deteriorated property definition; thus, meeting the criteria of deteriorated property.

4: Evidence of necessity

The fourth requirement is the applicant must demonstrate that the exemption, deferral, or renewal is necessary with a reasonable likelihood of long-term economic viability. CIHA is asking for ten years of tax exemption on the land and improvements. There are two methods to satisfy this requirement: meet the requirement for AMC 12.35.010A.4.a. or satisfy the requirements for AMC 12.35.010A.4.b; in either event, the applicant must also meet the

requirements of AMC 12.35.010A.4.c. and d. The application discussed necessity under AMC 12.35.010A.4.b., c., and d.

CIHA first discussed the necessity of economic feasibility of initiating an operation, program or project, AMC 12.35.010A.4.b., with a reasonable likelihood of long-term economic viability based on two main points. The first point is that this project, Phase I, is part of a larger project, which has accrued additional costs to get to a point for the site to be developable. The main additional costs that were incurred included the higher cost of parcel acquisition, the required remediation, demolition of old improvements, and environmental assessment. Total development costs sum to approximately \$17.3 million, of which \$3.4 million has already been incurred (multi-parcel acquisition, demolition, environmental assessment, and remediation).

The second main point is that CIHA has either maxed out or exhausted all available sources of funding. CIHA's mission is, "to create housing opportunities that empower our people and build our community." To pursue this mission, CIHA has to rely on a mix of local, state, and national funding sources, often rife with competition. Some of the funding sources come with stipulations, such as restrictions on household income or rent charged, which can significantly alter the return on investment (ROI).

However, CIHA does not rely on some type of quantitative threshold, like a return on investment, to greenlight the project. Instead, CIHA's threshold is primarily based on funding. With all available funding sources identified, CIHA looked to the exemption as the last remaining bit of funding to greenlight the project. While a tax exemption is not a source of funding by nature, CIHA would be able to save between \$22,000 and \$29,000 a year on property taxes over a ten-year period. That tax savings would allow CIHA to take out a second deed of trust in the amount of \$144,000 from their affiliate partner, Cook Inlet Lending Center (CILC). This second deed of trust would then be paid off over the course of 10 years. CIHA states that this is the last bit of funding necessary for the project to commence. If CIHA does not receive the property tax exemption, CIHA would have to go back and review if any new funding sources are available. However, this process could easily jeopardize the economic feasibility of the project for two reasons. The first reason is there is no clear path towards securing an additional \$144,000 in funding. And second, even if CIHA could find additional funding, there is not enough time to secure that additional funding without jeopardizing the availability of the current funds, which would stop the project from proceeding.

Finally, the code requires a reasonable likelihood that the project will be economically viable over the long-term. CIHA provided a pro forma with projections over a 30-year period. In the first six (6) years, the remaining cash flow after payments is positive, but at or less than \$5,000. However, in the subsequent years, the cash flow after payments becomes more positive, indicating a viable business in the long-term. This office believes that CIHA does satisfy AMC 12.35.010A.4.b., that the exemption is necessary to initiate this project with a reasonable likelihood of a viable business in the long-term.

AMC 12.35.010A.4.c. requires the application to show that the proposed business operation or program or project will create additional employment for the community unless the application

of for deteriorated property. Since this application is for deteriorated property, this section is not necessary.

The final requirement is AMC 12.35.010A.4.d., which requires CIHA to demonstrate that the improvement will improve the economic development of the Municipality. The application discusses two main points. The first point is that affordable housing supports economic development. Anchorage Economic Development Corporation (AEDC) conducted an employer survey which found out that businesses across the Municipality have a challenge attracting and retaining human capital. Further, AEDC has identified that building affordable housing would help businesses attract and retain employees. Affordable housing would also keep Anchorage competitive with neighboring communities. The second main point is that CIHA's plan is commensurate with Anchorage's 2040 Land Use Plan. The 2040 Land Use Plan identified Central Spenard as a reinvestment focus area to incentivize housing. This administration believes that both points made in the application meet the requirements under AMC 12.35.010A.4.d.

5: Measurable Public Benefits

AMC 12.35.010A.5. states that the application must provide evidence that the exemption will provide measurable public benefits commensurate with the level of incentive granted. There were several benefits that the application discussed. The first benefit is that this project would provide 48 units of affordable housing to the local community. As previously discussed, providing affordable housing would help businesses attract and retain workers and help the Municipality remain a competitive city. Both of these benefits do not have a clear and measurable benefit aside from 48 renters receiving a measurable discount to their rent. The second benefit is the environmental cleanup of the site. CIHA has already spent a significant amount of money cleaning up groundwater contamination, addressing code violations that surpass the total benefit of the exemption. The application also discussed the provision for improvements on Fish Creek and additional housing. Finally, the application discussed employment from the project's construction, which this administration believes is an indirect benefit from the improvement. This administration believes that the application met this requirement.

6: Financial Statement

AMC 12.35.010A.6. asks for the applicant's financial statement. The applicant provided basic financial statements and compliance reports for 2018 and 2019. The financial information provided under AMC 12.35.010A.6. is confidential pursuant to AMC 3.90.040G. and does not become part of the public record.

7: Other Information

No other information was requested by the finance department.

Summary

This administration believes that the application meets the requirements of AMC 12.35. In sections one and three, CIHA accurately described the property and demonstrated that the property fits the description of deteriorated property. In section four, CIHA has shown that the exemption is necessary as the exemption would allow CIHA to get the last bit of funding to greenlight the project, and the project would promote and improve the economic development of

Memorandum re CIHA
tax abatement application

the Municipality. In section five, CIHA discussed several benefits that are commensurate with the 10-year exemption. CIHA met section six's requirement by providing financial statements and compliance reports for 2018 and 2019. The final requirement, section seven, requires CIHA to submit supplemental information that the finance department requests. While the finance department did not ask for any supplemental information, the finance department did ask clarifying questions. CIHA was responsive to those questions.

The CFO recommends that CIHA's application for tax abatement be approved as follows:

1. Taxes on the land and 100% of phase I of CIHA's project, which is three buildings summing to 48 housing situated on parcels 010-113-46-000, 010-113-47-000, 010-113-48-000, 010-113-49-000, and 010-114-19-000 be exempt for ten years. The exemption will commence upon substantial completion of the improvements.