

ANCHORAGE, ALASKA
AO NO. 2002- 103

AN ORDINANCE AMENDING AMC SECTIONS 12.35.005, 12.35.010, 12.35.020 & 12.35.025,
CONFORMING THOSE PROVISIONS TO STATE LAW AS.29.45.050 (M) PROVIDING FOR A
TAX EXEMPTION FOR ECONOMIC DEVELOPMENT PROPERTY AND PERMITTING THE
ASSEMBLY TO RENEW ECONOMIC DEVELOPMENT EXEMPTIONS

The Anchorage Assembly Ordains:

Section 1: That AMC subsections 12.35.010 (A) and 12.35.010 (B) are hereby amended
to read as follows:

12.35.010 **Tax exemption property.**

- A. The municipality may, upon written application, partially or totally exempt all or some types of economic development property from real and personal property taxation under this code for up to five years. The municipality may renew the exemption under conditions set forth in subsection G below provided that under any renewal that extends the exemption beyond a total period of five years, the municipality may only exempt the amount of taxes that exceeds the amount levied on other property for the school district. [ECONOMIC DEVELOPMENT PROPERTY SHALL BE EXEMPT FROM TAXATION UNDER CHAPTERS 12.10 AND 12.15 TO THE EXTENT OF THE NUMBER OF ELIGIBLE JOBS CREATED AND SUSTAINED BY SUCH PROPERTY. EACH ELIGIBLE JOB MAY REDUCE TAXES UP TO \$7,500 ANNUALLY OVER A PERIOD OF TIME NOT TO EXCEED FIVE YEARS PROVIDED THAT THE EXEMPTION SHALL NOT EXCEED 50 PERCENT OF THE TAX DUE IN EACH YEAR.]
- B. In this chapter, "economic development property" means real or personal property, including development property conveyed under 43 U.S.C. 1601-1629e (Alaska Native Claims Settlement Act), that:
- 1 has not previously been taxed as real or personal property by the municipality;
 - 2 is used in a trade or business in a way that (a) creates employment in the municipality directly related to the use of the property; (b) generates sales outside of the municipality of goods or services produced in the municipality; or (c) materially reduces the importation of goods or services from outside the municipality; and
 3. has not been used in the same trade or business in another municipality for at least six months before the application for exemption is filed. [ECONOMIC DEVELOPMENT PROPERTY SHALL BE EXEMPT FROM TAXATION UNDER CHAPTERS 12.10 AND 12.15 FOR THE YEAR BEGINNING JANUARY 1 AFTER NEW PLANT OR FACILITY CONSTRUCTION BEGINS; AND IN TAX YEARS SUBSEQUENT TO THAT YEAR, ECONOMIC DEVELOPMENT PROPERTY SHALL BE EXEMPT FROM TAXATION UNDER CHAPTERS 12.10 AND 12.15 TO THE EXTENT OF THE NUMBER OF ELIGIBLE JOBS CREATED AND SUSTAINED BY SUCH PROPERTY. EACH ELIGIBLE JOB

MAY REDUCE TAXES UP TO \$7,500 ANNUALLY OVER A PERIOD OF TIME
NOT TO EXCEED TWO YEARS.]

Section 2: That AMC subsection 12.35.010 (G) is hereby amended to read as follows:

G. [ONLY ONE EXEMPTION AND ONE DEFERRAL MAY BE GRANTED TO THE
SAME PROPERTY.] An exemption granted under subsection (A) may be renewed,
provided that:

1. an application for renewal is made in the manner set forth in AMC section
12.35.025 and;
2. the Assembly finds, upon consideration of the renewal application, that the
property continues to meet the definition of economic development property
and that continuation of an exemption is necessary to the operation of the
business and the creation or sustaining of employment related to the use of
the property and;
3. during any portion of a renewal period that extends the total period of
exemption beyond five years, the exemption shall not be applied to reduce
the total tax liability below the amount levied on behalf of the Anchorage
School District.

Section 3: That AMC section 12.35.020 is hereby amended to read as follows:

12.35.020 Liability for Taxes.

Real and personal property taxes for property exempted from tax under this chapter shall be due and payable in the same manner as nonexempt property taxes as billed by the municipality, except:

- 1 If the application for exemption or renewal is approved by the assembly or an annual certification is approved prior to the date the taxes are due, the amount of the exemption shall be credited against the real and personal property taxes.
2. If the application for exemption or renewal is approved by the assembly or an annual certification is approved after the date the taxes are due and paid, the amount of the exemption shall be refunded to the person who paid the tax.

Section 4: That AMC subsections 12.35.025 (A), 12.35.025 (E) and 12.35.025 (G) are hereby amended to read as follows:

**12.35.025 Application for exemption or renewal; review and approval process;
annual certification of eligibility.**

A. Application to establish or renew real or personal property as economic development property or qualified inventory under this chapter shall be made in writing to the chief fiscal officer or his designee. The application shall 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 [AND ELIGIBLE JOBS] created or sustained by the property;
 3. Demonstration that the property meets the requirements of this chapter;
 4. Evidence that an exemption or renewal is necessary to the operation of the business and the creation of employment [OR ELIGIBLE JOBS];
 5. Financial statement of the applicant; and
 6. Other information as may be required by the financial department.
- E. The grant or denial of an exemption, renewal of exemption or [AND] deferral by the assembly is a discretionary act which will not give rise to any claim against the municipality or its agents.
- G. The chief fiscal officer may, consistent with title 7, contract with an entity to receive and review applications for tax exemption, the renewal of tax exemption or [AND] deferral and to verify annual certifications that economic development property or qualified inventory remains eligible for exemption, pursuant to this section. If such a contract is entered into, the chief fiscal officer shall be deemed to have received the application for the purposes of subsection C of this section when he receives it from the contractor.

Section 5: That AMC section 12.35.005 is hereby amended by deleting the definitions of the terms "Economic Development Property" and "Eligible Job".

Section 6: That this ordinance is enacted pursuant to AS 29.45.050 (m) authorizing the Municipality to exempt Economic Development Property, as defined therein, from real and personal property taxes. This ordinance may be repealed by voters through referendum.

Section 7: That this ordinance shall be effective upon approval by the Assembly. The authorization for a renewal of a tax exemption under AMC subsection 12.35.020 (B) may be applied to all real and personal property of a business operation previously granted an economic development exemption under AMC chapter 12.35. Any property granted a renewal under AMC chapter 12.35 may be exempt from real and personal property taxes to the full extent authorized by section 1 above.

PASSED and approved by the Anchorage Assembly this ____ day of ____, 2002.

Chair

ATTEST:

Municipal Clerk

EGJ/2002ORDINANCES/AO21

MUNICIPALITY OF ANCHORAGE
Summary of Economic Effects -- General Government

AO Number: 2002- 103

Title: Amending AMC Actions 12.35.005, et.al. to Provide for a Tax Exemption for
Economic Development Property

Sponsor: Assemblymember Tesche

Preparing Agency: Department of Assembly

Others Impacted: Finance

| CHANGES IN EXPENDITURES AND REVENUES: | | (In Thousands of Dollars) | | | | |
|---------------------------------------|------|---------------------------|------|------|------|--|
| | FY02 | FY03 | FY04 | FY05 | FY06 | |
| Operating Expenditures | | | | | | |
| 1000 Personal Services | | | | | | |
| 2000 Non-Labor | | | | | | |
| 3900 Contributions | | | | | | |
| 4000 Debt Service | | | | | | |
| TOTAL DIRECT COSTS: | \$ | \$ | \$ | \$ | \$ | |
| Add: 6000 Charges from Others | | | | | | |
| Less: 7000 Charges to Others | | | | | | |
| FUNCTION COST: | \$ | \$ | \$ | \$ | \$ | |
| REVENUES: | | | | | | |
| CAPITAL: | | | | | | |
| POSITIONS: FT/PT and Temp | | | | | | |

PUBLIC SECTOR ECONOMIC EFFECTS:

The proposed amendments do not change the economic effects of the existing ordinance. The Municipality does not lose any portion of its tax base as the exemption only applies to new property created pursuant to the project under application. The administrative burden of processing applications should be minor considering that only one application has been received in 13 years. The original SEE submitted with AO No. 89-128 is quoted below:

"Minor economic effects anticipated as the ordinance will not affect existing tax base or properties. The only effects will be upon the fiscal officer in the form of work as necessary to review applications."

PRIVATE SECTOR ECONOMIC EFFECTS:

This ordinance would reduce the cost of starting a new business through decreased overhead costs. Existing business would not qualify for a deferral of exemption without expansion of their operations into new facilities with an increase in employment. The magnitude of these effects will vary with the number and type of businesses taking advantage of the program.

Added Comment by OMB: "It appears private sector participation in this program would be limited to business not receiving funds from Proposition 8 – Economic Expansion Infrastructure Bonds. That ballot proposition requires debt service for infrastructure improvements to be paid from individual and business property taxes."

Prepared by: Assemblymember Tesche

Telephone: 343-4750



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

NO. AM 609-2002

Meeting Date: JUNE 25, 2002

From: Assemblymembers Tesche and Traini

Subject: AN ORDINANCE AMENDING AMC SECTIONS 12.35.005, 12.35.010, 12.35.020 & 12.35.025, CONFORMING THOSE PROVISIONS TO STATE LAW AS.29.45.050 (M) PROVIDING FOR A TAX EXEMPTION FOR ECONOMIC DEVELOPMENT PROPERTY AND PERMITTING THE ASSEMBLY TO RENEW ECONOMIC DEVELOPMENT EXEMPTIONS

In 1989, the Municipality enacted AO No. 89-128(S), creating an economic development tax exemption as authorized by the State law. The terms of the exemption were spelled out by the State Legislature in AS.45.050 (m). Unfortunately, the ordinance made the Municipality's development incentive more restrictive than State law. As a result only a single application has been submitted in the past 13 years.

Under **both** State and Municipal law an economic development tax exemption can only apply to new tax base which either generates exports or materially reduces imports. Thus, an exemption will never act to reduce the local tax base. Under the present Code, however, the Assembly's hands are tied in several ways not specified in State law. The Assembly, for example, is currently denied the right to renew the economic incentive regardless of the impact on the local economy.

This ordinance simply conforms local law to State law by granting the Assembly the full authority delegated by the Legislature to deal with economic development tax exemptions. Under the proposed amendments, the Assembly could grant a partial or full exemption, set and extend time limits and deal with employment criteria as deemed appropriate to the nature of the project.

The proposed ordinance would not act to grant or renew any economic development tax exemption. Rather, it would permit the Municipality to entertain applications under the same terms as State law.

Submitted by:

Allan Tesche
egj

Allan Tesche
Assemblymember

Dick Traini
egj

Dick Traini
Assembly Chair

Ad 2002-103

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|---|---|----------|-------------------------------|
| 1 | SUBJECT OF AGENDA DOCUMENT | | DATE PREPARED |
| | An ordinance amending amc 12.35.005, 12.35.010, | | 21-Jun-02 |
| | 12.35.020, & 12.35.025 | | |
| 2 | DEPARTMENT NAME | | DIRECTOR'S NAME |
| | Assembly | | Greg Moyer |
| 3 | THE PERSON THE DOCUMENT WAS ACTUALLY PREPARED BY | | HIS/HER PHONE NUMBER |
| | Elvi Gray-Jackson | | 343-4751 |
| 4 | COORDINATED WITH AND REVIEWED BY | INITIALS | DATE |
| | Mayor | | |
| | Heritage Land Bank | | |
| | Merrill Field Airport | | |
| | Municipal Light & Power | | |
| | Port of Anchorage | | |
| | Solid Waste Services | | |
| | Water & Wastewater Utility | | |
| | Municipal Manager | | |
| | Cultural & Recreational Services | | |
| | Employee Relations | | |
| | Finance, Chief Fiscal Officer | | |
| | Fire | | |
| | Health & Human Services | | |
| | Office of Management and Budget | | |
| | Management Information Services | | |
| | Police | | |
| | Planning, Development & Public Works | | |
| | Development Services | | |
| | Facility Management | | |
| | Planning | | |
| | Project Management & Engineering | | |
| | Street Maintenance | | |
| | Traffic | | |
| | Public Transportation Department | | |
| | Purchasing | | |
| | Municipal Attorney | | |
| | Municipal Clerk | | |
| | Other | | |
| 5 | Special Instructions/Comments | | |
| | <div style="display: flex; justify-content: space-between;"> <div> <p>CLERKS OFFICE</p> <p>2002 JUN 21 PM 2:56</p> <p>Frigit</p> </div> <div> <p>Adender</p> <p>G.F. Introducer</p> </div> </div> | | |
| | | | |
| 6 | ASSEMBLY HEARING DATE REQUESTED | 7 | PUBLIC HEARING DATE REQUESTED |
| | 6/25/02 | | 7/16/02 |