

ANCHORAGE, ALASKA
AO No. 2019-12, As Amended, As Amended

AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY TO INCENTIVIZE THE CREATION OF HOUSING IN THE CENTRAL BUSINESS DISTRICT BY AMENDING ANCHORAGE MUNICIPAL CODE TITLE 12 TO ADD A NEW CHAPTER 12.60 *TAX INCENTIVES FOR HOUSING*; AMENDING THE FINE SCHEDULE IN ANCHORAGE MUNICIPAL CODE SECTION 14.60.030 TO INCLUDE FINES FOR VIOLATIONS OF RELATED REPORTING OBLIGATIONS; AND AMENDING COMPUTATION OF THE MAXIMUM ATTAINABLE TAX REVENUE UNDER THE TAX CAP, ANCHORAGE MUNICIPAL CODE CHAPTER 12.25.

1 **WHEREAS**, state law governs the Municipality's ability to grant property tax
2 exemptions; and

3
4 **WHEREAS**, Alaska Statute (AS) 29.45.050(m) permits municipalities to partially or
5 totally exempt all or some types of "economic development property" from property
6 taxes; and

7
8 **WHEREAS**, in 2017 the Alaska Legislature amended AS 29.45.050(m) to, among
9 other things, permit a municipality to exempt "economic development property" from
10 taxation if doing so will "enable" a significant capital investment in physical
11 infrastructure that (i) expands the tax base of the municipality; and (ii) will generate
12 property tax revenue after the exemption expires," section 5, Chapter 9, SLA 17; and

13
14 **WHEREAS**, surveys conducted by the Anchorage Economic Development
15 Corporation consistently indicate that "downtown" is the "#1 neighborhood where
16 people want to live"; and

17
18 **WHEREAS**, for a variety of reasons, the Central Business District, which encompasses
19 much of downtown, is a particularly expensive place to build, and few housing units
20 are available or being constructed; and

21
22 **WHEREAS**, the Anchorage Housing Market Analysis commissioned by the
23 Municipality of Anchorage in 2012 endorses the creation of redevelopment strategies
24 and funding solutions to address the housing shortage and to help close the feasibility
25 gap of medium- and high-density housing; and

26
27 **WHEREAS**, the Anchorage 2020 and the Anchorage Downtown Comprehensive Plan
28 identify the creation of redevelopment and reinvestment incentives as essential
29 strategies to encourage residential and commercial mixed-use redevelopments in
30 aging and under-utilized areas; and

31
32 **WHEREAS**, by providing tax incentives, the Municipality seeks to encourage the
33 development of additional housing units within the Central Business District for the

1 purpose of spurring additional economic development and renewal in a vital portion of
2 the Anchorage community; and

3
4 **WHEREAS**, by incentivizing economic development in the form of additional housing
5 and growing the residential population of downtown, the tax exemptions enacted by
6 this ordinance should both expand the tax base of the municipality and generate
7 property tax revenue after the exemption expires; and

8
9 **WHEREAS**, this is the first Economic Development Tool identified in the Anchorage
10 2040 Land Use Plan to be launched; this and the use and implementation of other
11 financial incentives and planning actions such as Targeted Area Rezones,
12 Reinvestment Focus Areas, and Small Area Plans are planned for areas across
13 Anchorage in the near future;

14
15 **WHEREAS**, to ensure the municipality grants a tax exemption only for the creation of
16 new housing, this ordinance (a) requires that (i) a minimum of four (4) new residential
17 units are constructed on the property, (ii) the construction increases the total number
18 of residential units on the property, (b) exempts taxes only upon completion of
19 construction, and (c) thereafter requires annual reporting to ensure that the exempted
20 residential units remain in place for so long as the exemption remains in place; and

21
22 **WHEREAS**, the maximum attainable tax revenue available under the tax cap,
23 Anchorage Municipal Code (AMC) Chapter 12.25, is increased by the taxes on
24 residential units for the fiscal year after any tax exemption attributable to those
25 residential units expires or otherwise terminates; now, therefore,

26
27 **THE ANCHORAGE ASSEMBLY ORDAINS:**

28
29 **Section 1.** Anchorage Municipal Code is hereby amended to enact a new chapter
30 *12.60 Tax Incentives for Housing* to read as follows:

31
32 **12.60.010 Property tax incentives for housing; location.**

33
34 This chapter authorizes property tax exemptions for construction of new
35 residential units, provided a minimum of four (4) new residential units are
36 constructed and the construction increases the total number of residential units
37 on property located entirely within:

- 38
39 1. The Central Business District.

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41 **12.60.015 Property tax incentives for housing; exclusions.**

42
43 Deteriorated property as defined in AMC 12.35.005 and economic development
44 property for which an application has been filed and is under review, or has
45 been granted pursuant to AMC 12.35.040 are not eligible for this housing tax
46 incentive. Submission of an application for exemption pursuant to this chapter
47 shall automatically terminate any existing deteriorated property or economic
48 development property application or designation for the subject property.

1
2 **12.60.020 Applications for property tax exemptions.**
3

4 A. *Submission.* An application for an exemption under this chapter shall be
5 made in writing to the chief fiscal officer, or the chief fiscal officer's
6 designee, prior to construction of new residential units (applications
7 made after construction on the residential units begins shall be rejected).
8

9 B. *Contents.* The application shall, at a minimum, contain:

- 10
11 1. *Name.* The name of the applicant;
12
13 2. *Address.* The legal description and street address of the property
14 for which the application is made;
15
16 3. *New residential units.* Drawings of the residential units that the
17 applicant will construct, including a floor plan that includes
18 approximate square footages;
19
20 4. *Existing structures.* Drawings showing the square footage of all
21 existing structures and structures to be constructed on the
22 property;
23
24 5. *Increase in residential units.* Plans showing the construction will
25 increase the total number of residential units on the property;
26
27 6. *Acknowledgement of liability.* Applicant acknowledges that the
28 residential units will be taxable if and when the residential units
29 are no longer eligible for tax exemption under this chapter; and
30
31 7. *Other information.* Other information as may be required by the
32 chief fiscal officer.
33

34 C. *Deadline for applications.* Applications for an exemption under this
35 chapter shall only be accepted before 5:00 p.m. February 29, 2024.
36

37 **12.60.030 Provisional approval.**
38

39 The chief fiscal officer, or the chief fiscal officer's designee, shall provisionally
40 approve an application for tax exemption if:

- 41
42 1. *Complete application.* The applicant submitted a complete
43 application; and
44
45 2. *Four or more additional units.* The applicant acknowledges it must
46 (a) construct not less than four (4) new residential units in
47 accordance with the plans and drawings submitted with its
48 application, and (b) increase the total number of residential units

1 on the property in order to receive final approval under AMC
2 12.60.040.
3

4 **12.60.040 Final approval upon completion of construction of new**
5 **housing; magnitude; duration; recording.**
6

7 A. *Final approval of exemption.* The chief fiscal officer, or the chief fiscal
8 officer's designee, shall finally approve an application for tax exemption
9 if (a) the applicant has completed construction of residential units in
10 accordance with the plans and drawings submitted with its application
11 and a Certificate of Occupancy has been issued pursuant to AMC
12 23.10.107.4 for each structure that contains a residential unit described
13 in the application, and (b) the total number of residential units on the
14 property has increased.
15

16 B. *Magnitude of exemption.* The taxes eligible for exemption under this
17 AMC chapter 12.60 are those attributable only to the newly constructed
18 residential units, exclusive of previously existing residential units
19 (whether or not remodeled), all non-residential improvements, and land,
20 determined on a spatial basis as follows: The square footage of the
21 newly constructed residential units shall be divided by the square footage
22 of all structures on the property, then multiplied by the assessed value of
23 all improvements on the property and by the mill rate applicable to the
24 property.
25

26 C. *Duration of tax exemption.* Tax exemptions approved under this section
27 shall be for a period of twelve (12) consecutive years beginning on
28 January 1 of the first full calendar year after final approval of the
29 application.
30

31 D. *Recording of exemption.* The chief fiscal officer, or the chief fiscal
32 officer's designee, shall memorialize the terms of an exemption granted
33 under this chapter in a memorandum recorded in the Anchorage
34 Recording District and kept on file in the Treasury Division of the
35 Municipal Finance Department.
36

37 **12.60.050 Termination of exemption upon reduction in number of**
38 **residential units.**
39

40 An exemption granted under this chapter shall terminate immediately if and
41 when the number of residential units on the property is less than the number
42 existing at the time of final approval of the application under AMC 12.60.040.
43

44 **12.60.060 Appeals.**
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46 Any decision of the chief fiscal officer or the chief fiscal officer's designee under
47 this AMC Chapter 12.60 may be reviewed by the Office of Administrative
48 Hearings in accordance with AMC Chapter 3.60.

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2 **12.60.070 Annual reports of owners; Assembly notification.**
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4 A. *Annual compliance and status report.* Not later than March 15 of each
5 year, the owner of the property for which an exemption has been granted,
6 shall file with the chief fiscal officer, or the chief fiscal officer's designee,
7 a report including:

- 8 1. *Occupancy.* A statement of occupancy and vacancy of the
9 residential units for the prior twelve (12) months;
10
11 2. *Residential units remain as described.* A certification that the
12 newly constructed residential units described in the application
13 continue to exist and have not been converted to a non-residential
14 use;
15
16 3. *Further changes.* A description of physical changes or other
17 improvements constructed since the last report or, on first report,
18 since the filing of the application; and
19
20 4. *Additional information.* Any additional information requested by
21 the chief fiscal officer or designee.
22

23 B. *Annual reports to the Assembly.* The chief fiscal officer, or the chief fiscal
24 officer's designee, shall transmit annual reports to the Assembly in an
25 Assembly Information Memorandum that contains:
26

- 27 1. *Annual reports of property owners.* Copies of annual compliance
28 and status reports submitted by property owners in accordance
29 with AMC 12.60.070A.
30
31 2. *Annual report of exempted taxes.* A summary of the total taxes
32 exempted for each property that has been granted a tax
33 exemption under this chapter.
34
35 3. *Annual report of applications and status.* A summary list of each
36 complete application for an exemption under this chapter received
37 by the chief fiscal officer or designee, the status (rejected,
38 provisional approval, or final approval), number of units proposed,
39 under construction and completed, and the parcel address or
40 description of location.
41

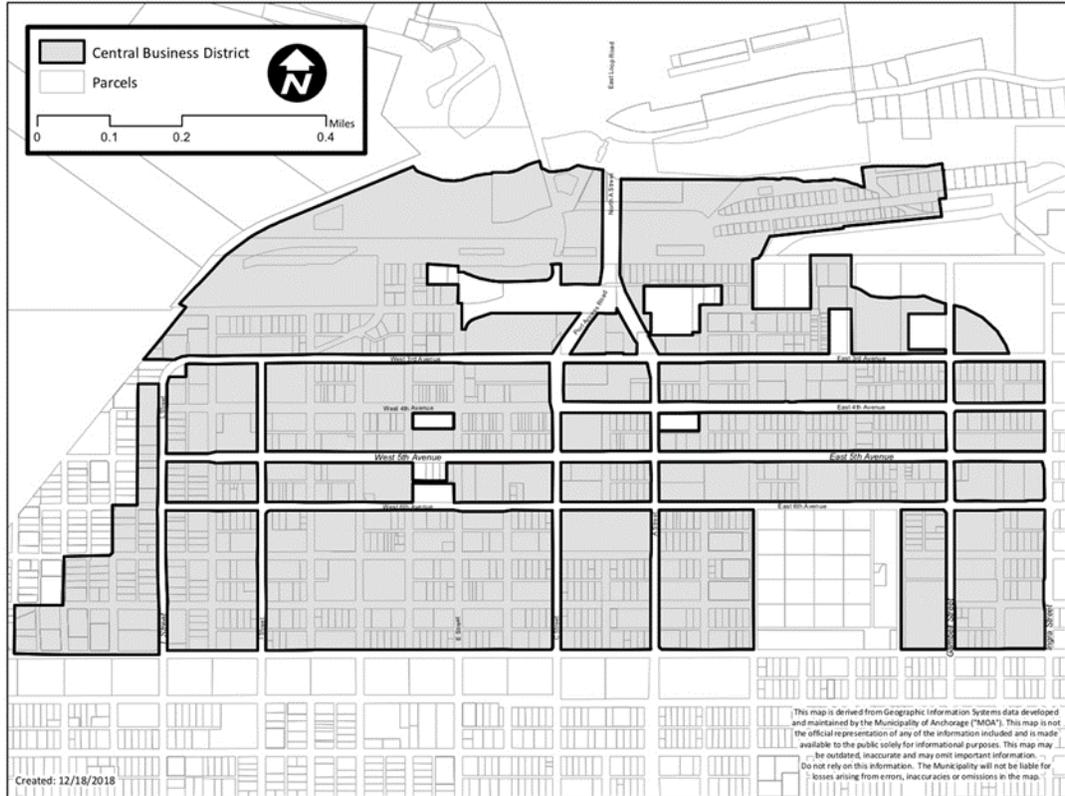
42 **12.60.900 Definitions**
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44 In this chapter,
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- 46 (1) "Central Business District" means properties located within the
47 boundaries of the downtown City Center designation in the
48 adopted Anchorage 2040 Land Use Plan substantially as depicted

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below. This includes properties located west of Ingra Street; north of 9th Avenue; east of the bluff generally running along Coastal Place, M Street, N Street, and O Place; and generally south of Ship Creek. Applicants should refer to the official 2040 Land Use Plan Map available online or from the municipal Planning Department:



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- (2) "Construction" has the same meaning set forth in AMC 21.14.040.
- (3) "Residential unit" means a dwelling unit as defined in AMC 21.14.040 which is either, but not designed or used as transient accommodations and not including hotel or motel units; the term includes owner-occupied or only rental accommodations that are leased for [a] periods of at least one (1) month.

Section 2. AMC 14.60.030 is hereby amended to read as follows (*the remainder of the section is not affected and therefore not set out*):

14.60.030 Fine Schedule

The fine schedule under this chapter is as follows:

Code Section	Offense	Penalty / fine
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* * *	* * *	* * *
<u>12.60.070</u>	<u>Failure to File Annual Housing Tax Exemption Report</u>	<u>10% of Taxes Exempted in the Prior Year</u>
* * *	* * *	* * *

Section 3. AMC Chapter 12.25 is hereby amended to read as follows (*the remainder of the chapter is not affected and therefore not set out*):

12.25.020 Definitions.

The following words, terms and phrases, when used in this chapter, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

Additional services includes but is not limited to services added by the creation or alteration of a service area.

Current fiscal year means the fiscal year in which the next fiscal year budget is prepared.

Fiscal year means the fiscal year of the municipality. School system fiscal year figures will be for the current year, i.e., that which commenced during the municipal fiscal year.

Next fiscal year means that which follows the current fiscal year and for which the new budget is being prepared.

Percentage increase in the Federal Consumer Price Indices (CPI) means the changes in the annual CPI.

Previously exempt property means real or personal property exempt under AMC Title 12 in the current fiscal year but taxable in the next fiscal year.

Prior fiscal year means the fiscal year immediately preceding the current fiscal year.

Property improvements means any improvement which increases the full and true value of real property.

Special tax means any tax levied under a new authority to tax approved by the voters at a regular or special election, including an authority for a specified rate of taxation.

12.25.040 Computation of maximum attainable tax revenue amount.

B. Define exclusions in accordance with Charter section 14.03(b)[(2)] and

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the following guidance:

1. Taxes on new construction or property improvements and previously exempt property not assessed in the current fiscal year taxed at the same rate as that applied to like properties for the current fiscal year.

Section 4. This ordinance shall be effective immediately upon passage and approval by the Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 5th day of March, 2019.



Chair

ATTEST:


Municipal Clerk



MUNICIPALITY OF ANCHORAGE

Assembly Memorandum

No. AM 25-2019

Meeting Date: January 15, 2019

1 **From:** MAYOR

2
3 **Subject:** AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY
4 TO INCENTIVIZE THE CREATION OF HOUSING IN THE
5 CENTRAL BUSINESS DISTRICT BY AMENDING ANCHORAGE
6 MUNICIPAL CODE TITLE 12 TO ADD A NEW CHAPTER 12.60
7 TAX INCENTIVES FOR HOUSING; AMENDING THE FINE
8 SCHEDULE IN ANCHORAGE MUNICIPAL CODE SECTION
9 14.60.030 TO INCLUDE FINES FOR VIOLATIONS OF RELATED
10 REPORTING OBLIGATIONS; AND AMENDING COMPUTATION
11 OF THE MAXIMUM ATTAINABLE TAX REVENUE UNDER THE
12 TAX CAP, ANCHORAGE MUNICIPAL CODE CHAPTER 12.25.
13

14 State law governs the Municipality's ability to grant property tax exemptions. In
15 particular, Alaska Statute 29.45.050(m) permits municipalities by ordinance to
16 "partially or totally exempt all or some types of economic development property"
17 from taxation.
18

19 In 2017 the Alaska Legislature amended AS 29.45.050(m) and granted increased
20 flexibility in utilizing property tax exemptions to achieve specific community
21 development outcomes, such as increased housing production, if doing so will
22 "enable[] a significant capital investment in physical infrastructure that (i) expands
23 the tax base of the municipality; and (ii) will generate property tax revenue after
24 the exemption expires."
25

26 Over the past several years, housing demand surveys conducted by Anchorage
27 Economic Development Corporation have consistently shown that "downtown" is
28 the "#1 neighborhood where people want to live." However, the costs of land and
29 construction in downtown make it prohibitively expensive to develop; as a result,
30 few housing units are available or being constructed.
31

32 One way to address these high costs, according to the 2012 Anchorage Housing
33 Market Analysis commissioned by the Municipality, is to create redevelopment
34 strategies and funding solutions to help close the feasibility gap for medium- and
35 high-density housing. Both the Anchorage 2040 Land Use Plan and the Anchorage
36 Downtown Comprehensive Plan identify redevelopment and reinvestment
37 incentives as essential strategies to encourage residential and commercial mixed-
38 use redevelopments in aging and under-utilized areas such as downtown.
39

40 The 12-year property tax abatement proposed in this ordinance is expected to

1 encourage the development of additional housing units within downtown (“the
2 Central Business District”) which, in turn, should spur additional economic
3 development and renewal in a vital portion of Anchorage community. Incentivizing
4 economic development in the form of housing development should both expand
5 the tax base of the municipality and generate property tax revenue after the
6 exemption expires.

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8 After any tax exemption attributable to residential units expires or otherwise
9 terminates under this ordinance, the tax base for determining the amount of
10 municipal taxes that may be assessed under the tax cap, AMC Chapter 12.25, is
11 increased by the amount of taxes on those residential units.

12
13 To ensure that the tax exemption only applies to constructed housing and that the
14 housing units remain in service, this ordinance exempts taxes only upon
15 completion of construction of new residential units and thereafter requires an
16 annual compliance and status report to maintain the exemption – or violators face
17 potential fines.

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19 Further, this ordinance incentivizes housing development only by requiring that a
20 minimum of four (4) new residential units be constructed, and that the
21 construction increases the total number of residential units on the property.

22
23 Finally, the ordinance requires the chief fiscal officer, or designee, to submit
24 annual reports to the Assembly that provide a summary of successful applicants
25 and a summary of the total taxes exempted for each property that has been
26 granted property tax abatement.

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28 Public and private economic effects depend on project application and
29 implementation which are unknown; therefore, a summary of economic effects is
30 not attached.

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32
33 **THE ADMINISTRATION RECOMMENDS APPROVAL.**

34
35 Prepared by: Christopher M. Schutte, Director,
36 Office of Economic & Community Development
37 Concur: Lance Wilber, Director,
38 Office of Management and Budget
39 Concur: Alexander H. Slivka, CFO
40 Concur: Rebecca A. Windt Pearson, Municipal Attorney
41 Concur: William D. Falsey, Municipal Manager
42 Respectfully submitted: Ethan A. Berkowitz, Mayor



MUNICIPALITY OF ANCHORAGE
ASSEMBLY INFORMATIONAL MEMORANDUM

No. AIM 18-2019

Meeting Date: February 12, 2019

1 **From: CHAIR**

2
3 **Subject: AO 2019-12, an ordinance of the Anchorage Municipal Assembly to**
4 **incentivize the creation of housing in the Central Business District**
5 **by amending Anchorage Municipal Code Title 12 to add a new**
6 **chapter 12.60 Tax Incentives for Housing; amending the fine**
7 **schedule in Anchorage Municipal Code Section 14.60.030 to**
8 **include fines for violations of related reporting obligations; and**
9 **amending computation of the maximum attainable tax revenue**
10 **under the tax cap, Anchorage Municipal Code Chapter 12.25.**

11
12 A letter of support from the Anchorage Chamber of Commerce is attached for your
13 review and information.

14
15
16 Prepared by: Karissa Sleppy, Agenda & Records Assistant

17 Approved by: Barbara A. Jones, Municipal Clerk

18 Respectfully submitted: Eric Croft, Assembly Chair

February 4, 2019

Dear Anchorage Assembly Members:

The Anchorage Chamber of Commerce has been a prominent voice for business across Anchorage for over 100 years. We represent over 900 companies and their 50,000+ employees. Our mission is to advance a successful business climate by attending to the civic, economic, and cultural betterment of our community.

On behalf of our Board of Directors, the Anchorage Chamber of Commerce is supportive of a tax incentive for the development of residential housing in downtown Anchorage as defined in Assembly Ordinance 2019-12. We are supportive of this ordinance as it can encourage residential and mixed use development in the downtown area. Previous studies, such as the 2012 Anchorage Housing Market Analysis, encourage new redevelopment strategies to address the housing shortage. The Anchorage Chamber is also supportive of such tax incentives being applied to RFA's identified in the Anchorage Bowl Land Use Plan.

The Anchorage Chamber of Commerce recognizes that new investment in downtown Anchorage is a priority and critical to attracting businesses and residents who want to be located downtown. As noted in the Anchorage Downtown Comprehensive Plan, redevelopment and reinvestment incentives are key in encouraging residential and commercial mixed use development. We believe this tax incentive will encourage additional housing thus growing the residential population in downtown. With more residents living in the downtown area, we will see more businesses and more commerce activity and have a positive and safe environment.

The Anchorage Chamber is supportive of the approval of Assembly Ordinance 2019-12 creating residential development incentives for downtown Anchorage.

Best Regards,



Bruce Bustamante

President & CEO