

City of
VALDEZ

Overview of Proposed Economic Development Tax Exemption Ordinance

November 19, 2024



Recent Changes to Alaska Statute 29.45.050(m)

Originally limited in scope and applicability, this subsection has been amended by the Alaska Legislature in recent years to broaden the scope of this exemption significantly:

- 2017: SB 100 changed allowable period from “5 years” to “a designated period”
- 2022: HB 411 deleted the existing complex and proscriptive definition of “economic development property” and replaced the definition with the following broad definition: ***“economic development” means an action intended to result in an outcome that causes an increase in, or avoids a decrease of, economic activity, gross domestic product, or the tax base.***
- 2024: Removed language limiting the exemption to the portion of mills above the required local contribution for school districts- making it possible for local governments to fully exempt economic development property from taxation.

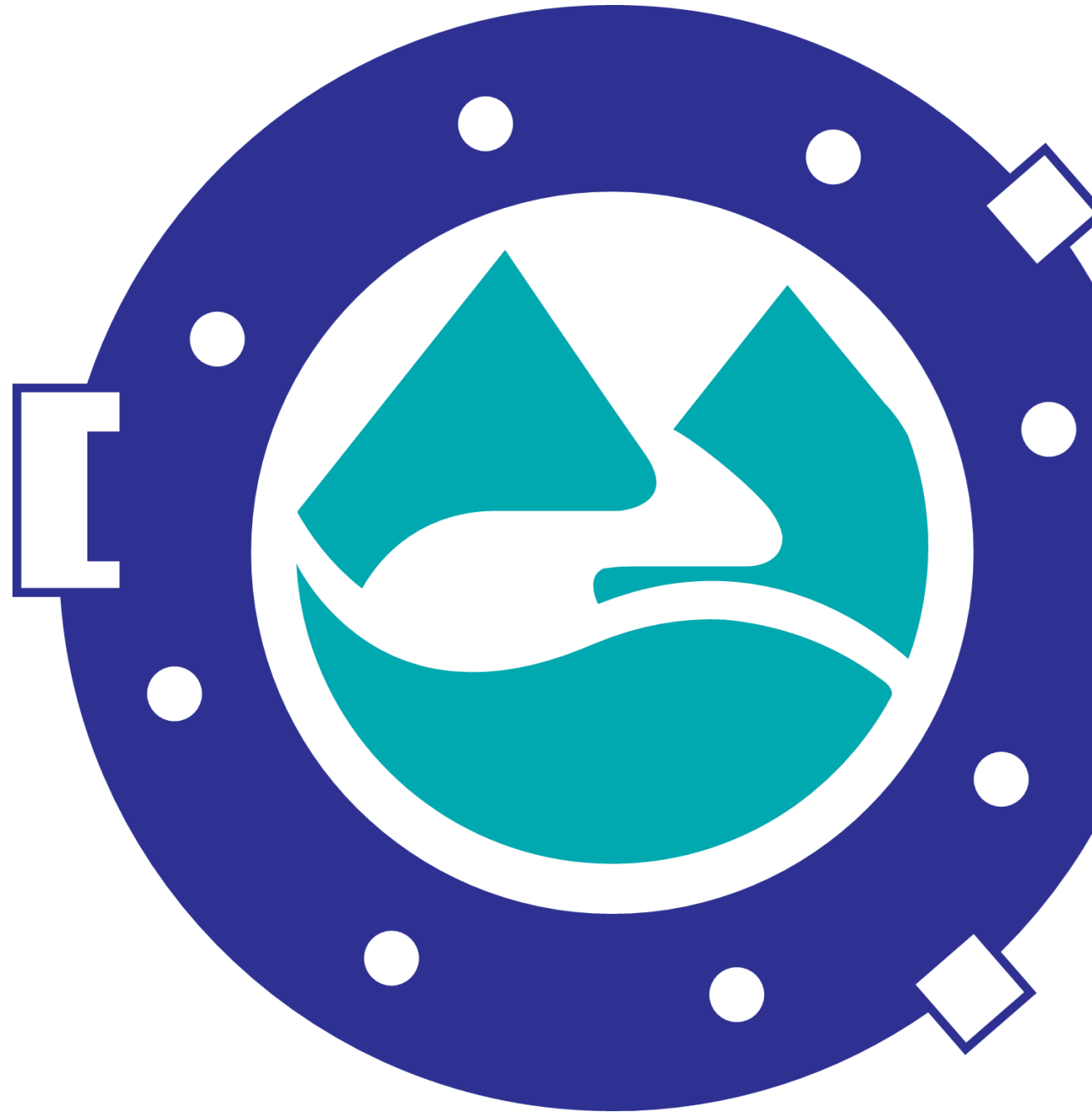
AS 29.45.050(m) as Currently Written



“A municipality may by ordinance partially or totally exempt all or some types of economic development property from taxation for a designated period. A municipality may by ordinance permit deferral of payment of taxes on all or some types of economic development property for a designated period. A municipality may apply an exemption or deferral under this subsection to taxes levied for special services in a service area that is supervised by an elected service area board under [AS 29.35.460](#) unless the elected service area board objects to the exemption or deferral by resolution adopted not later than 60 days after the effective date of the municipal ordinance enacting the tax exemption or deferral. A municipality may adopt an ordinance under this subsection only if, before it is adopted, copies of the proposed ordinance made available at a public hearing on it contain written notice that the ordinance, if adopted, may be repealed by the voters through referendum. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption or deferral.”

Key requirements for ordinance construction:

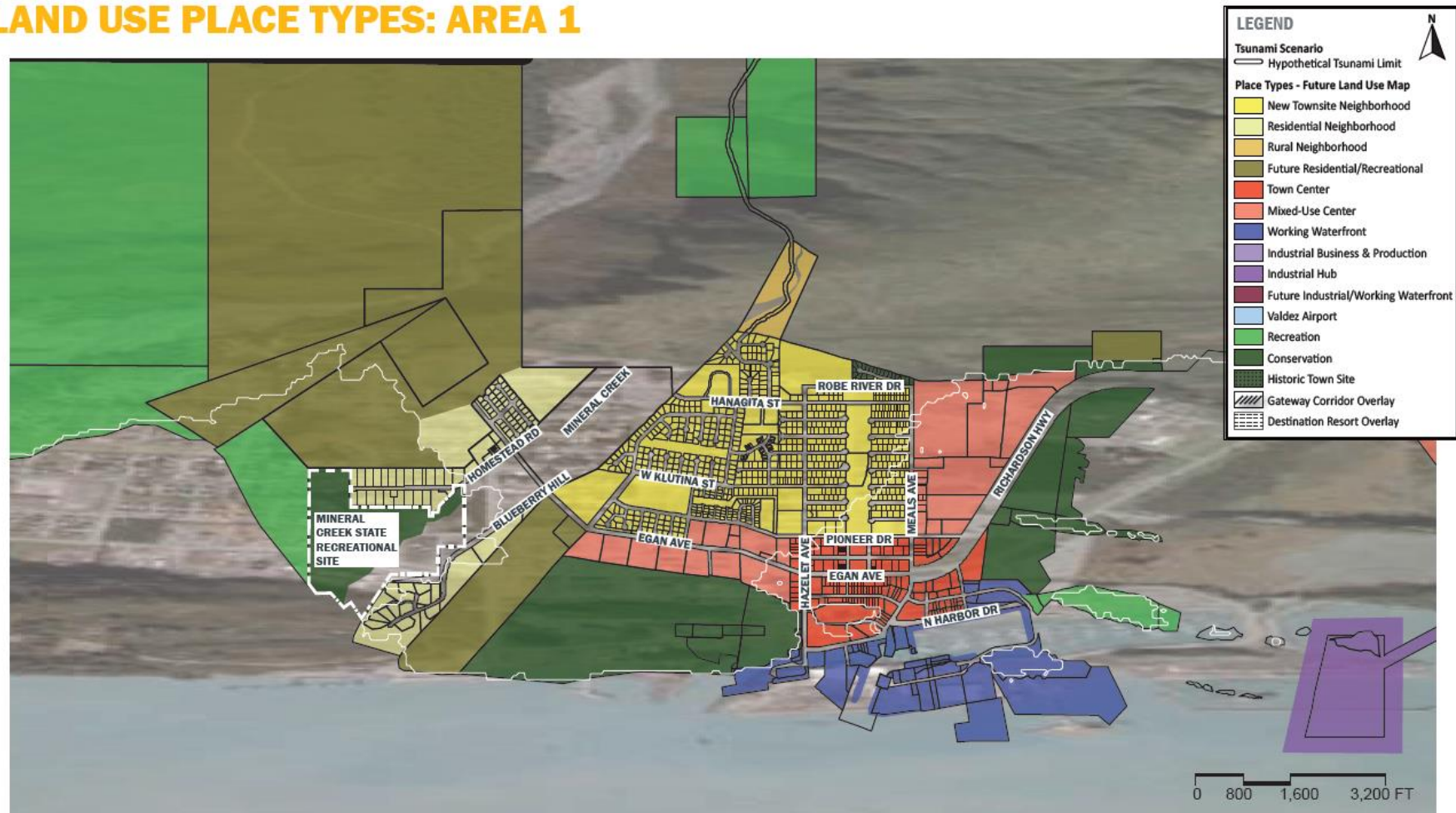
- Define “designated period” for Valdez.
- Identify types of “economic development” that will “cause an increase in” or “avoid a decrease of” economic activity in Valdez.
- Outline specific eligibility requirements.
 - Where is eligible property located?
 - What type of development qualifies?
 - Why?
- Program must require a written application.
- Provide notice at the public hearing that the ordinance may be repealed by voter referendum.



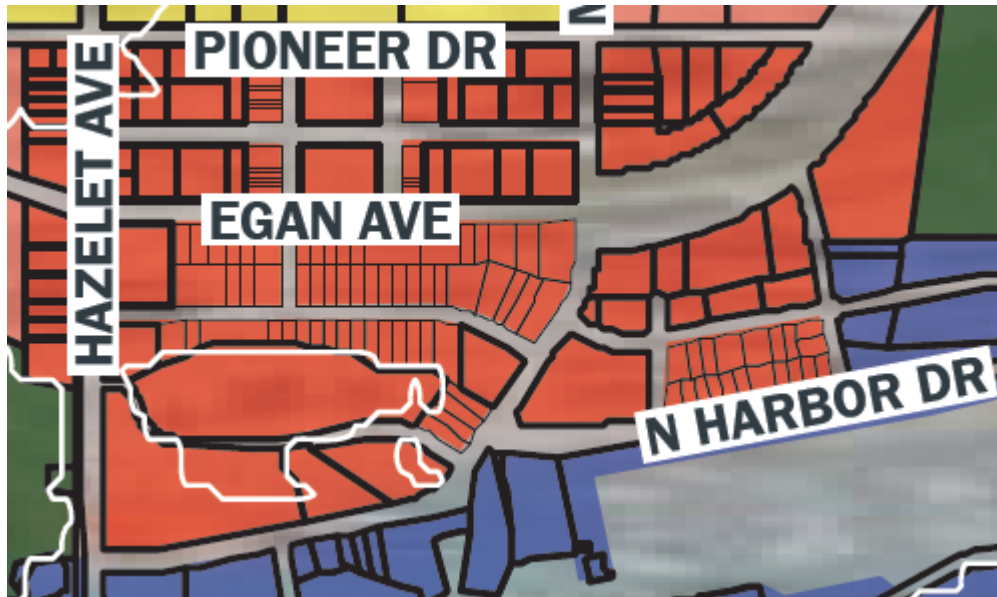
General Staff Recommendations on Framing the Ordinance

- Align with specific goals from the comprehensive plan
 - Have clearly defined areas and parameters
- The effective date and definition of “economic development” mirroring to state law
- Keep the program simple to administer and simple to understand:
 - Grant the exemption administratively rather than Council approving for each property
 - Exemptions only – no deferrals
 - Use same deadlines as other exemptions
 - Clerks and Finance administer
 - Tied to the increase in assessed value attributable to the new construction or renovation
 - Exemption conveys with property for the allowable timeframe
- Start small and expand later
- Tie the exemption to completion of improvements

LAND USE PLACE TYPES: AREA 1



Target Area #1 : Town Center Place Type



Improvements to property located in the downtown area
Goal: Revitalize the downtown area and spur new economic activity

- Tied to town center place type
- Longer time frame (10 years)
- Encouraging mixed use development, increase in multifamily housing and in-fill
- Including new construction and major renovation

Target Area #2 : New Townsite Neighborhood



Encouraging housing development in residential areas:

Goal: Increase the availability of residential units.

- Tied to New Town Neighborhood place type
- Shorter time frame (3 years)
- Encouraging in-fill and housing development where public utilities already exist
- Specific to the creation of new housing units

Plan Valdez Goal 2.2 Encourage redevelopment and new development



Appropriate (re)development that meets the greater needs of the community in an economic and efficient manner. Finding ways to streamline, facilitate, **and incentivize development** will help to generate higher quality development, new investment in under-performing properties and aging buildings, and new construction. Reinvestment programs should include smaller-scale redevelopment efforts and infill development and **feature more target programs to improve building quality, adaptive reuse of parcels and buildings.**

Related Action:

2.2B – Create an incentive program for the infill/redevelopment of properties already served by public water and sewer
Identify programs and eligibility standards to make infill/redevelopment projects more attractive to developers, including regulator and financial incentives such as tax credits/abatements/waivers, waiver, or reduction in permit/plan review fees, expedited review process, and/or flexible zoning regulations. **Priority areas should include the Town Center (red on future land use maps), and adjacent working waterfront (dark blue) and mixed-use place types (salmon).**

Plan Valdez Goal 2.3 Promote, protect and build quality housing



Quality housing is housing that meets community needs including a range of incomes, housing types, and locations; and is built with longevity in mind. Without dedicated resources or programmatic priorities to support more diverse housing types, the city's capacity to help residents find housing best suited to their needs, has been limited. **Adopting a policy direction that promotes an inclusive, diverse, and flexible housing environment will contribute to a capable workforce, retain residents in the community, and help develop a sturdy customer base to sustain local businesses and population.** Various housing options will enable residents to find suitable local housing regardless of income level.

Related Action:

2.3A – **Identify and adopt strategic housing investment areas.** Targeting and scaling programs and policies can increase near-term impact. It is recommended these areas are targeted within **the New Town Site (yellow on future land use maps), Town Center (red)** and Mixed-Use Place Types (salmon).

2.3E – Develop housing directed incentive programs. **Identify programs and eligibility requirements to support new construction and renovation of single-family, multi-family homes, and apartments, as well as conversions of nonresidential buildings to residential units.** Examples include leverage vacant or underutilized city-owned properties, direct investment of public housing funds, tax-increment financing, bonds, revolving loans, tax abatements, density bonuses for in-fill development connected to city utilities, and/or other proven public-private partnership models. **Priority should be placed on new dwellings that increase the efficiency of providing city services.**