



## Overview of Proposed Ordinance Temporarily Exempting Certain Types of Economic Property from Property Taxes Development

### Goal:

Enacting optional economic development property tax exemptions allowed under AS 29.45.050 (m) is to support the following

### 2 key areas to include in the construction of the ordinance:

- 1) Improvements to property located in the downtown area:
  - a. Goal: Revitalize the downtown area and spur new economic activity
  - b. Tied to town center place type
  - c. Longer time frame (10 years)
  - d. Encouraging mixed use development, increase in multifamily housing and in-fill
  - e. Including new construction and renovation
  
- 2) Encouraging housing development in residential areas:
  - a. Goal: Increase the availability of residential units.
  - b. Tied to New Town Neighborhood place type
    - i. Alternately, this could be expanded to include other residential place types.
  - c. Shorter time frame (3 years)
  - d. Encouraging in-fill and housing development where public utilities already exist
  - e. Specific to the creation of new housing units

### General staff recommendations:

- Ensuring that targeted areas/ development types align with specific goals from the comprehensive plan
- The effective date of state law should align with the start of allowable exemptions – Improvement made since August 13, 2024.
- The timeline for exemption should start from application date moving forward.
- Keeping these all specific to exemptions – no deferrals
- Exemptions to be tied to the increase in assessed value attributable to the new construction or renovation
- Keeping “economic development” broadly defined and aligned with state law
- Avoiding judgement calls as to what should qualify
- Granted administratively rather than Council approving each exempt property
- Exemption conveys with property for the allowable timeframe

### Other considerations:

- This ordinance could include properties under nuisance abatement orders as well or this could be a separate ordinance added on later.
  - The definition of deteriorated property in AS 29.45.050(o) is overly complex and restrictive

- It would suit our needs better/ simplify things to incorporate properties that are under nuisance abatement orders into the definition of “economic development”
- Is there a specific goal to focus on or type of development that has more value than others? What is the ultimate desired outcome from the program?
- A tiered approach would be possible to encourage and encourage specific types of development that are deemed more important (housing, child care, etc.)
  - Example: Development projects that include housing units in the downtown area having a longer time frame for exemption

**Administration of exemption program:**

- Application review handled by Clerk’s and Finance like all other property tax exemption programs
  - Keep deadline for exemption application consistent with other exemptions- January 15<sup>th</sup> of the tax year
  - Require an annual application after initial exemption is granted to ensure continued compliance with code and tracking by COV
    - If an annual application is not submitted the property owner forfeits the exemption for that tax year but can reapply the next year
- Be clear that it is forward looking - from tax year of the application date onward
- Contingent on a certificate of occupancy or certificate of completion
  - Need for clarity that the property will be taxed during the construction/ renovation period
    - Creates incentive to complete projects more quickly
  - Could structure the program so that an applicant could initially apply during construction/ renovation but not get final approval until project is completed
  - Could provide information on the program when someone is proposing development or applying for required permits through the Community Development Department