



# City of Valdez

212 Chenega Ave.  
Valdez, AK 99686

## Meeting Agenda

### City Council

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Tuesday, November 19, 2024

6:00 PM

Council Chambers

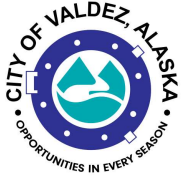
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#### Work Session: Economic Development Tax Exemption Overview

#### WORK SESSION AGENDA - 6:00 pm

*Transcribed minutes are not taken for Work Sessions. Audio is available upon request.*

1. [Work Session: Options for Enacting Economic Development Property Tax Exemption](#)



Legislation Text

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**File #:** 24-0458, **Version:** 1

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**ITEM TITLE:**

Work Session: Options for Enacting Economic Development Property Tax Exemption

**SUBMITTED BY:** Elise Sorum-Birk, Deputy City Clerk

**FISCAL NOTES:**

Expenditure Required: n/a

Unencumbered Balance: n/a

Funding Source: n/a

**RECOMMENDATION:**

n/a

**SUMMARY STATEMENT:**

The City Council has expressed interest in exploring this local exemption option.

Changes to state law in 2022 and 2024 made the allowable local economic development tax exemption under AS 29.45.040(m) much more flexible.

Staff from several city departments worked collaboratively to discuss options and consider details of what administering a program of this nature would require. Attached are:

- A summary of key recommendations from staff on how an initial program could be structured and what additional considerations exist.
- A rough draft of an ordinance

The goal of this work session is for Council Members to review staff recommendations and provide feedback to city administration on the proposed exemption program.



## 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

CITY OF VALDEZ, ALASKA

ORDINANCE #24-XX

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, AMENDING SECTION 3.12.040 THE VALDEZ MUNICIPAL CODE ESTABLISHING A TAX EXEMPTION FOR ECONOMIC DEVELOPMENT PROPERTY

WHEREAS, AS 29.45.050(m) provides municipalities discretionary authority to partially or totally exempt all or some types of economic development property from taxation for a designated period; and

WHEREAS, the scope of exemptions allowable under this subsection of state law have been substantially broadened by legislative enactments in 2017, 2022 and 2024; and

WHEREAS, allowing an exemption for economic development property supports goal 2.2 of the 2021 Comprehensive Plan, Plan Valdez, to “encourage redevelopment and new development” by “finding ways to streamline, facilitate and incentivize development . . .to generate higher quality development, new investment in under-performing properties and aging buildings, and new construction”; and

WHEREAS, this program would more specifically accomplish goal 2.2 B to “create an incentive program for the infill and redevelopment of properties already served by public water and sewer”; and

WHEREAS, an economic development tax exemption incentivizing housing and other development on properties located in the New Town Site Neighborhood and Town Center place types will also advance goal 2.3 to “promote, protect, and build quality housing” by “identify[ing] and adopt[ing] strategic housing investment areas” (2.3 A) and “develop[ing] housing-directed incentive programs” (2.3 E); and

WHEREAS, AS 29.45.050(o) allows municipalities to partially or totally exempt all or some types of deteriorated property from taxation for up to 10 years once substantial rehabilitation, renovation, demolition, removal, or replacement of any structure on the property begins; and

WHEREAS, establishing this tax exemption program will support two of the four top City Council priorities for 2025: business, economic and workforce development strategies and housing.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, that the following amendments are made to Section 3.12.040 of the Valdez Municipal Code:

Section 1.

Section 3.12.040 is hereby amended to read as follows:

**3.12.040 Additional exemptions.**

A. Seventy-six thousand one hundred fifty-five dollars of the assessed value or the maximum allowed under state law, whichever is greater, of a principal residence owned and occupied by the taxpayer is exempt from taxation. The city council may by ordinance annually adjust the exemption set forth herein by the amount calculated by the State Assessor to reflect the increase, if any, in the annual average cost of living, using the U.S. Department of Labor CPI-U for Anchorage. (Ord. 24-03 § 1; Ord. 22-12 § 1; Ord. 23-01 § 1)

B. The amount of \$10,000.00 of the assessed value of real property owned and occupied as a permanent place of abode by a resident who provides volunteer firefighting services or volunteer emergency medical services in the city is exempt taxation under this chapter.

To qualify for this exemption, on January 1 of the assessment year a person must be certified as:

1. A current and active volunteer of a State of Alaska recognized first responder service, registered fire department or a certified ambulance service located within the city; and
2. If providing volunteer firefighting services, be certified as a firefighter by the Alaska Department of Public Safety; or
3. If providing volunteer emergency medical services, be certified under AS 18.08.082.

The fire chief shall be responsible for certifying that the volunteer has met the criteria established for this exemption and will submit the names to the city clerk annually on or before January 15.

If two or more individuals are eligible for an exemption for the same property, not more than two exemptions may be granted.

No exemption under this section may be granted except upon written application on a form prescribed by the city clerk. The application must be filed with the city clerk no later than January 15 of the tax year for which the exemption is sought.} (Assuming ORD 24-14 is enacted)

C. An amount equal to the increase of assessed value directly attributable to improvements made to properties for economic development purposes may be exempted from property taxes under the conditions listed in this section.

1. The construction of a new structure located in the town center place type may qualify for an exemption under this section for a period of ten years.

2. The major renovation of an existing structure in the town center place type may qualify for an exemption under this section for a period of ten years.

3. The construction of one or more residential units in the new townsite neighborhood place type may qualify for an exemption under this section for a period of three years.

No exemption under this section may be granted except upon written application on a form prescribed by the city clerk. The initial application must be filed with the city clerk no later than January 15 of the tax year for which the exemption is sought.

The city shall require an application annually by the property owner no later than January 15th each subsequent tax year of the exemption period attesting that the property remains in compliance with this section. Failure to comply with the conditions this section will result in the exemption being deemed invalid for the subject property.

The initial application for exemption shall include:

1. A statement from the property owner regarding how the improvements to the property support economic development in Valdez.

2. Proof that all required permits for the proposed improvements have been issued.

3. An acknowledgment that the property owner is required to comply with all applicable local, state and federal laws.

4. A certificate of occupancy or certificate of completion from the community development department issued after August 13, 2024.

5. An acknowledgement by the applicant that the property will be fully taxable when no longer eligible for exemption under this section.

The initial application may be reviewed and conditionally approved by the city clerk if the applicant provides proof that all required permits for the proposed improvements have been issued, however no exemption shall be granted prior to the issuance of a certificate of occupancy or certificate of completion.

The exemption period shall be based on the date of final approval of the application. Qualifying economic development property remains taxable at the full assessed value until a certificate of occupancy or certificate of completion has been issued.

In this section:

1. "Economic development" has the meaning given in AS 29.45.050(m).

2. "Increase in the assessed value directly attributable to improvements" means the difference between the assessed value of improvements prior to a

project commencing and the assessed value of improvements after the certificate of occupancy or certificate of completion has been issued.

3. "Major renovation" means improvements to existing structures on an eligible property that result in at least a 25% increase in assessed value of improvements to the property.

4. "New townsite neighborhood place type" has the meaning given in the adopted Comprehensive Plan

5. "Town center place type" has the meaning given in the adopted Comprehensive Plan

Section 3. This ordinance shall take effect immediately upon adoption by the Valdez City Council.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

CITY OF VALDEZ, ALASKA

\_\_\_\_\_  
Dennis Fleming, Mayor

ATTEST:

\_\_\_\_\_  
Sheri L. Pierce, MMC, City Clerk

First Reading:  
Second Reading:  
Adoption:  
Ayes:  
Noes:  
Absent:  
Abstain:

APPROVED AS TO FORM:

\_\_\_\_\_  
Jake Stasser, City Attorney

Brena, Bell, & Clarkson, P.C