City of Valdez

212 Chenega Ave.
Valdez, AK 99686

Meeting Agenda

City Council

Tuesday, August 4, 2026 | **6:00 PM** | **Council Chambers**

Work Session - Property Tax Exemption Options (Part 1)

WORK SESSION AGENDA - 6:00 pm

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

1. Work Session: Introductory Conversation on Municipal Property Tax Exemption Options Under HB13

City of Valdez
212 Chenega Ave.
Valdez, AK 99686

Legislation Text

File #: 26-0323, **Version:** 1

ITEM TITLE:
Work Session: Introductory Conversation on Municipal Property Tax Exemption Options Under HB13
SUBMITTED BY: Nathan Duval, City Manager

FISCAL NOTES:

Expenditure Required: n/a
Unencumbered Balance: n/a
Funding Source: n/a

RECOMMENDATION:

n/a

SUMMARY STATEMENT:

HB 13 adds five additional optional municipal property tax exemptions to state law, one of which is a flexible exemption for a property owners' primary residence and permanent place of abode. This could be a lever for providing some property tax relief to Valdez homeowner and Council has prioritized looking at options.

HB 13 was passed by the Alaska Legislature and allowed to become law without the Governor's signature. The effective date of this law is September 20, 2026. So changes can be made in advance of the 2027 tax year.

Council's Housing Subcommittee will have met on Monday, August 3rd to discuss options and will share their thoughts and recommendations with the full Council at this work session.

Attached are the following:

-Memo from City Manager of administrative burden and other considerations for each of the 5 new exemptions under HB 13

- Full text of the enrolled (final) version of HB 13

- Sponsor summary explain HB 13.

To | City Council

From | Nate Duval, City Manager

RE | HB13

Date | 06/22/2026

Background and Purpose

HB 13 amends AS 29.45.050 to authorize municipalities to adopt five new optional property tax exemptions by ordinance. This memo does not evaluate foregone revenue. Its purpose is to inform the Council of the long-term staff time, verification obligations, recordkeeping requirements, and organizational overhead that would accompany adoption of each exemption.

This analysis is presented in the context of Valdez's existing tax base, in which 80–90 percent of assessed property value is attributable to oil and gas properties. Residential properties constitute a small fraction of total taxable value. The Council has expressed interest in adopting exemptions that benefit resident property owners to the maximum practicable extent. The question before the Council is therefore not primarily fiscal — it is operational: what does the City commit to administering if it enacts these exemptions?

Summary: Administrative Complexity by Exemption

Exemption	Description	Key Qualification Burden	Annual Admin Load	Complexity
(aa)	STR-to-LTR Conversion	Annual use verification; rental period documentation; conversion date tracking	**High-Medium**	**Medium**
(bb)	Mobile Home Park Construction/Renovation	One-time verification; 10-year term tracking; renovation scope documentation	**Low**	**Low**
(cc)	Low-Income Rental (Rent ≤30% of Income)	Annual income verification per tenant; rent-to-income ratio calculation; ongoing re-qualification	**High**	**High**
(dd)	Owner-Occupied Permanent Residence	Initial residency/ownership verification; periodic re-confirmation; address consistency checks	**Low-Medium**	**Low**
(ee)	First-Time Homebuyer	First-time buyer verification; term/duration determination (statute silent); potential audit exposure	**High-Medium**	**Medium**

Detailed Analysis by Exemption

(aa) Short-Term Rental to Long-Term Rental Conversion

Statutory summary: Exempts or partially exempts a structure converted from short-term rental use (30 days or fewer) to exclusive long-term rental use (31 or more consecutive days). Excludes hotels, motels, bed and breakfasts, commercially operated hunting and wilderness camps, and government or nonprofit operated temporary housing.

Administrative obligations if adopted:

- Create, maintain, and enforce a registry requirement for properties operating as short-term rentals.
- Maintain a registry of properties claiming exemption, including documentation of prior short-term rental status and the date of conversion.
- Develop and publish an application process, with required documentation standards (e.g., prior rental platform listings, booking records, lease agreements showing 31+ day terms).
- Conduct annual re-verification to confirm the property remains in exclusive long-term rental use.
- Monitor Airbnb, VRBO, and similar platforms annually to identify properties that may have reverted to short-term use.
- Adjudicate edge cases: a property that rents long-term for 10 months and is listed short-term for 2 months. The statute requires "exclusive" long-term use, but enforcement depends on information the City does not passively receive.
- Issue clawback assessments for properties found to have reverted, including back-tax calculations and potential interest and penalties if an ordinance establishes those.

Staff assessment: This exemption creates a recurring annual verification burden with meaningful audit risk. Valdez currently does not rigorously enforce a short-term rental licensing or registration program. Without enforcement, the City has no reliable mechanism to detect reversion. If the Council wishes to adopt this exemption, staff recommends pairing it with a mandatory STR registration and enforcement mandate, which would itself require additional administrative infrastructure. Workload is moderate in steady state but could spike during audit cycles. On its own this exemption may be able to be absorbed by current staffing levels, however, if combined with another exemption would require additional permanent staff.

(bb) Mobile Home Park Construction or Renovation

Statutory summary: Exempts or partially exempts a mobile home park for up to 10 years following construction or renovation.

Administrative obligations if adopted:

- Verify qualifying event (new construction or renovation) at time of application, including documentation of project completion date.
- Calculate and calendar the 10-year exemption period; set a termination date in the assessment system.
- Confirm that the property continues to function as a mobile home park during the exemption period (change of use would logically terminate eligibility, though the statute does not address this; ordinance drafting should clarify).
- Track any partial exemption percentage if the Council opts for partial rather than full exemption.

Staff assessment: This is the lowest-burden exemption in the group, as practically speaking, it's very similar to the Economic Development exemption outlined in VMC 3.12.040(C). It involves a one-time qualification event, a fixed sunset date, and a property type that is stable and easily identifiable. Given the housing supply context in Valdez, this exemption could provide a meaningful incentive for mobile home park development or rehabilitation with minimal ongoing overhead. Staff has no significant concern about administrative capacity.

(cc) Low-Income Family Rental (Rent-to-Income Cap)

Statutory summary: Exempts or partially exempts real property rented to a low-income family where monthly rent does not exceed 30 percent of the family's monthly income. "Low-income family" is defined by reference to federal housing statute (42 U.S.C. 1437a(b)(2)(A)). Family income is calculated as the sum of each earning member's prior-year adjusted gross income divided by 12.

Administrative obligations if adopted:

- Develop an application and certification process requiring income documentation (federal tax returns or IRS transcripts) for each earning member of each qualifying household.
- Calculate family income using the statutory formula annually. Income levels change year to year; re-qualification is required each assessment cycle.
- Verify rent charged does not exceed 30 percent of the calculated monthly income. This requires the landlord to submit both rent documentation and tenant income documentation — creating a tri-party information flow (tenant to landlord to City).
- Confirm the applicable federal definition of "low-income families" under 42 U.S.C. 1437a(b)(2)(A), which uses area median income thresholds set by HUD annually. The City must track HUD AMI updates each year and recalibrate qualifying thresholds accordingly.
- Manage confidential income information for private individuals. This creates records management obligations, potential public records exemptions, and data security considerations.
- Handle tenant turnover: a unit's exemption status can change mid-year if a qualifying tenant vacates and a non-qualifying tenant occupies. Proration rules must be established by ordinance.
- Implement clawback procedures when rent-to-income ratio is discovered to have exceeded the 30 percent cap during a prior exemption year.

Staff assessment: This is the highest-burden exemption in the group by a significant margin. It requires annual income verification of private individuals, tracking of a federal regulatory threshold that changes each year, and management of a multi-party documentation chain. The City's staff does not currently administer programs of this nature by intentional design. Staff recommends the Council carefully weigh whether the organizational investment required is proportionate to the number of qualifying units likely to exist in Valdez, as this exemption would require additional permanent staffing on its own.

One viable path forward may be a narrower implementation: the City could accept existing AHFC income certification as the qualifying condition for the exemption, limiting eligibility to units already participating in an AHFC program where income verification is performed by AHFC as a matter of their own compliance obligations. Valdez has AHFC-developed units for which this approach would be immediately applicable. This would reduce the City's administrative burden to confirming AHFC certification status rather than conducting independent income verification (i.e. Sound View, VSLA, Bremner Apartments, Blueberry).

(dd) Owner-Occupied Permanent Residence (Homestead Exemption)

Statutory summary: Exempts or partially exempts real property owned and occupied as a permanent place of abode by a resident of the municipality.

Administrative obligations if adopted:

- Adopt ordinance language designating receipt of the existing Primary Home Exemption under AS 29.45.050(a) as the qualifying condition for the (dd) exemption.
- No separate application process is required; eligibility is determined as a byproduct of the annual PHE workflow already administered by the City.
- Apply the (dd) exemption consistent with the City's existing exemption stacking order: mandatory exemptions under AS 29.45.030(e) — senior, disabled veteran, and qualified widow/widower — are applied first against assessed value, followed by the PHE, with the (dd) homestead exemption applied last against any remaining taxable value.
- Ensure ordinance drafting includes a contingency provision specifying how (dd) qualification will be determined in the event the PHE is modified or discontinued in the future.

Staff assessment: This is a well-understood exemption type with established practice in Alaska municipalities and is directly aligned with the Council's stated goal of benefiting resident property owners. Importantly, the City already administers a Primary Home Exemption under AS 29.45.050(a), which requires the same foundational eligibility criteria — ownership and primary residency within the municipality. Staff recommends that any (dd) exemption adopted by ordinance be structured so that receipt of the existing Primary Home Exemption serves as automatic qualification, eliminating the need for a separate application process. Under this approach, the administrative burden of (dd) is effectively zero beyond what the City already performs annually for the PHE. No new verification infrastructure is required, staff has no significant concern about administrative capacity.

(ee) First-Time Homebuyer

Statutory summary: Exempts or partially exempts residential real property owned and occupied by a first-time home buyer.

Administrative obligations if adopted:

- Develop a definition and verification process for "first-time homebuyer." The statute does not define the term or specify a lookback period (e.g., whether a first-time homebuyer who closed on a home 15 years ago qualifies). These determinations must be made by ordinance and will require legal review.
- Obtain documentation establishing that the applicant has not previously held title to residential real property (within a defined lookback window, if applicable). Self-certification is the most practical mechanism but creates audit risk; title history searches are possible but impose both hard costs and staff time.
- Determine the exemption duration: does it apply for the life of the buyer's ownership, for a fixed term, or only in the year of purchase? The statute is silent, an ordinance would determine the ongoing workload by specifying duration.
- Track expiration of eligibility if a term-limited approach is adopted, and generate reassessment notices upon expiration.
- Adjudicate edge cases, examples include co-ownership with a non-first-time buyer; divorce and re-purchase; inherited property; prior ownership in another state or country.
- Monitor for subsequent purchase of additional properties, which may terminate the exemption if the ordinance ties eligibility to the buyer's primary residence status.

Staff assessment: This exemption has moderate administrative burden but high legal drafting complexity due to the statute's silence on key terms, further, the number of qualifying applications per year in Valdez is likely modest. Exemption is likely moot with the application of PHE above. On its own this exemption may be able to be absorbed by current staffing levels, however, if combined with another exemption would require additional permanent staff.

Staff Observations and Considerations for Council

The following observations are offered to assist the Council in prioritizing among the available exemptions:

Exemptions (dd) and (bb) are operationally straightforward. Exemption (dd), the owner-occupied permanent residence exemption, directly addresses the Council's stated goal, benefits the broadest class of resident property owners, and is well-supported by established administrative practice in Alaska. Exemption (bb), the mobile home park exemption, involves a single qualifying event and a fixed sunset, making it the least burdensome of all five optional exemptions included in HB13 over time.

Exemption (ee) is achievable with adequate ordinance drafting. The primary risk is definitional ambiguity in the enabling statute. If the Council wishes to pursue this exemption, early engagement with the City Attorney on ordinance language will reduce downstream administrative uncertainty.

Exemption (aa) is implementable but would benefit from a companion STR registration compliance mandate. Without a mechanism to detect reversion to short-term rental use, the exemption is difficult to audit reliably. If the Council proceeds, staff recommends addressing the STR compliance issue beforehand.

Exemption (cc) carries the highest ongoing administrative cost of the five in its full statutory scope and will require additional permanent staffing to administer given the requirements outlined in HB13. However, staff has identified a narrower implementation path that may make it workable: limiting eligibility to units already certified under an AHFC program, where income verification is performed by AHFC as a matter of their own compliance obligations. Valdez has AHFC-developed units to which this approach would apply immediately. Before committing to (cc) by ordinance, staff recommends the Council direct the City Manager to consult with AHFC regarding an intergovernmental agreement supporting this framework. If that path proves viable, the City's administrative role is reduced to confirming AHFC certification status rather than conducting independent income verification, a materially different and manageable obligation.

Staff is prepared to develop implementation timelines, draft ordinance frameworks, present estimated workload impacts, and estimate foregone revenue for any exemptions the Council wishes to pursue.

LAWS OF ALASKA

2026

Source **Chapter No.**

SCS CSSSHB 13(STA) _______

AN ACT

Relating to optional municipal property tax exemptions for real property owned and occupied by volunteer certified or licensed providers of fire fighting, emergency medical, mobile intensive care paramedic services, or hazardous materials response services; relating to optional municipal property tax exemptions for certain long-term rental units, certain mobile home parks, real property rented to low-income families, real property owned and occupied as a permanent place of abode, and real property owned by first-time homebuyers; and relating to municipal tax refunds.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

THE ACT FOLLOWS ON PAGE 1

AN ACT

Relating to optional municipal property tax exemptions for real property owned and occupied by volunteer certified or licensed providers of fire fighting, emergency medical, mobile intensive care paramedic services, or hazardous materials response services; relating to optional municipal property tax exemptions for certain long-term rental units, certain mobile home parks, real property rented to low-income families, real property owned and occupied as a permanent place of abode, and real property owned by first-time homebuyers; and relating to municipal tax refunds.

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* **Section 1.** AS 29.45.050(r) is amended to read:

(r) A municipality may by ordinance exempt **<u>or partially exempt</u>** from taxation [AN AMOUNT NOT TO EXCEED $10,000 OF THE ASSESSED VALUE OF] real property owned and occupied as a permanent place of abode by a resident who provides in the municipality volunteer (1) fire fighting services and is certified as a firefighter by the Department of Public Safety**;** [, OR] (2) emergency medical services or mobile intensive care paramedic services and is certified or licensed under AS 18.08.082**; or (3) hazardous materials response services**. If two or more individuals are eligible for an exemption for the same property, not more than two exemptions may be granted.

* **Sec. 2.** AS 29.45.050 is amended by adding new subsections to read:

(aa) A municipality may by ordinance exempt or partially exempt from taxation a structure that contains a dwelling unit that was converted from use as a short-term rental unit to exclusive use as a long-term rental unit. In this subsection,

(1) "dwelling unit" has the meaning given in AS 34.03.360;

(2) "long-term rental unit" means a dwelling unit offered for rent for periods of not less than 31 consecutive days;

(3) "short-term rental unit" means a dwelling unit offered for rent for periods of 30 consecutive days or less; "short-term rental unit" does not include a

(A) hotel, motel, or bed and breakfast;

(B) commercially operated hunting or wilderness camp; or

(C) dwelling unit operated by a government entity or charitable organization that provides temporary housing to individuals or family members of individuals who are being treated for trauma, injury, or disease.

(bb) A municipality may by ordinance exempt or partially exempt from taxation a mobile home park for up to 10 years after the mobile home park is constructed or renovated.

(cc) A municipality may by ordinance exempt or partially exempt from taxation real property rented to a low-income family if the monthly rent charged to the low-income family is not more than 30 percent of the family's income. In this subsection,

(1) "family's income" means the sum of the previous tax year's adjusted gross incomes for each person in the family who earned income divided by 12;

(2) "low-income family" has the meaning given to "low-income families" in 42 U.S.C. 1437a(b)(2)(A).

(dd) A municipality may by ordinance exempt or partially exempt from taxation real property owned and occupied as a permanent place of abode by a resident of the municipality.

(ee) A municipality may by ordinance exempt or partially exempt from taxation residential real property owned and occupied by a first-time home buyer.

* **Sec. 3.** AS 29.45.500(a) is amended to read:

(a) If a taxpayer pays taxes under protest, the taxpayer may bring suit in the superior court against the municipality for recovery of the taxes. If judgment for recovery is given against the municipality, or, if in the absence of suit, it becomes obvious to the governing body that judgment for recovery of the taxes would be obtained if legal proceedings were brought, the municipality shall refund the amount of the taxes to the taxpayer with interest [AT EIGHT PERCENT] from the date of payment plus costs. **The interest rate is three percentage points above the 12th Federal Reserve District discount rate in effect on January 2 of the year of payment.**

* **Sec. 4.** AS 29.45.500(b) is amended to read:

(b) If, in payment of taxes legally imposed, a remittance by a taxpayer through error or otherwise exceeds the amount due, and the municipality, on audit of the account in question, is satisfied that this is the case, the municipality shall refund the excess to the taxpayer [WITH INTEREST AT EIGHT PERCENT FROM THE DATE OF PAYMENT]. A claim for refund filed one year after the due date of the tax is forever barred.

34TH ALASKA STATE LEGISLATURE

Session

State Capitol, Rm. 118
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Interim

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Rep.Andrew.Gray@akleg.gov

House Judiciary Committee, Chair

House Military and Veterans' Affairs, Committee Vice-Chair

Joint Armed Services Committee, Co-chair

House Health and Social Services Committee

REPRESENTATIVE ANDREW GRAY

SCSCSSSHB 13(CRA)
34-LS0194\O

Sponsor Statement

April 21, 2026

House Bill 13 gives municipalities additional tools to use at their discretion in helping to solve their local housing challenges. Five separate and ***completely optional*** municipal tax exemptions are specifically authorized by this legislation

- For owners that convert a short-term to a long-term rental
- Up to a 10-year exemption for certain mobile home park construction/renovation projects
- For properties rented to low-income families (as defined by 42 U.S.C. 1437a(b)(2)(A))
- People who reside in owner occupied homes
- People that are first-time homebuyers

As added in the Senate Community and Regional Affairs (SCRA) committee the legislation changes the overpayment (when overpayment is not the fault of the ratepayer) refund rate of interest charged by a municipality from a flat eight percent to three percentage points above the 12th Federal Reserve District discount rate in effect on January 2 of the year of the payment. The SCRA version also eliminates the interest payments that municipalities shall refund taxpayers who overpay due to taxpayer error.

In summary, the legislation specifically gives multiple ***options*** to municipalities for use in solving housing challenges that vary from community to community across Alaska.

No tax exemption in this bill is mandatory.

I would appreciate your support.