

**Mayor**

*David Allison*

**Council Members**

*Tom Bailer*

*Cathy Sherman*

*Kasey Kinsman*

*Wendy Ranney*

*Dave Zastrow*

*Kristin Carpenter*

*Ken Jones*

**City Manager**

*Samantha Greenwood*

**City Clerk**

*Susan Bourgeois*

**Deputy Clerk**

*Tina Hammer*

**City Council Work Session  
July 31, 2024 @ 7:00 pm  
Cordova Center Community Rooms  
Agenda**

**A. Call to order**

**B. Roll call**

Mayor David Allison, Council members Tom Bailer, Cathy Sherman, Kasey Kinsman, Wendy Ranney, Dave Zastrow, Kristin Carpenter, and Ken Jones

**C. Work Session topics**

1. Economic Development Property Tax Exemptions..... (page 1)  
continued discussion and development of parameters  
and application forms

**D. Adjournment**

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POTENTIAL ECONOMIC DEVELOPMENT  
PROPERTY TAX EXEMPTIONS  
*Work Session*

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July 31, 2024 Cordova City Council Work Session

# ECONOMIC DEVELOPMENT

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This work session is a continuation of Council discussion and review of revised economic development exemptions. Tonight, we will discuss proposed parameters of exemptions available for:

- New commercial development
- New Residential development
- Site development in preparation for construction
- A recommendation that Council adopt the State's existing deteriorated property exemption

# Goal of Tonight's Session

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Solicit and collect feedback on substantive requirements for economic development exemptions in Cordova, with the goal of introducing the exemption applications and deteriorated property ordinance in September.

# Changes to the Economic Development Exemption

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- In 2022, the State legislature substantially simplified its definition of economic development. Now, “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. (AS 29.71.800)*

- This change provides municipalities significantly more leeway in defining their own economic exemption parameters. However, any ordinance adopted to create an economic development exemption still “must include specific eligibility requirements and require a written application for each exemption or deferral.” AS 29.45.050(m).

# New Commercial Development Objectives

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- Incentivize all new commercial development
- Target encouragement of mixed-use development (relevant in Central Business District based on current zoning)
- No new districts or other geographic boundaries on development – all commercial development as currently allowed per Cordova's land use code will be eligible if requirements are met

# New Commercial Development Proposals

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- Mixed-Use Development (new or conversion): 100% of improved value for first 8 years, declining to 20% per year thereafter through a total of 12 years. Minimum of 50% of space must be developed as residential. Potential to add owner investment threshold.
- Construction, alteration or improvement of commercial or industrial property: threshold for improvement investment (\$10-20k). Maintenance does not qualify. Applies to assessed value of improvements for 3-5 years.



# Residential Exemption

## *Housing Stock Focus*

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- Exemptions will be 100% of taxes owed on value of improvements
- Disclaimer that under State law Cordova must meet public education funding requirements (likely only relevant where large developments are at play)

5-Year Tax Exemption	8-Year Tax Exemption	12-Year Tax Exemption
<ul style="list-style-type: none"><li>• Market rate duplex</li><li>• Fill a vacant lot in an existing trailer home park with a new construction trailer home</li></ul>	Market rate 4 plex- 8 plex	Market rate condominiums/apartments (in excess of 8 units)

# Residential Exemption

## *Affordable Housing Focus*

5-Year Tax Exemption	8-Year Tax Exemption	12-Year Tax Exemption
Market rate multifamily housing of any kind (duplex, triplex, condominiums, apartments). No requirement to set aside affordable housing units.	Provide at least 20% of units as affordable either as rentals or for homeownership.	Provide at least 25% affordable units with 3 or more bedrooms at an AMI at or below 80%
	Affordable units must be targeted to low income renters/homebuyers (at or below 80% of AMI)	

# Site Development Exemption

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- Council and administration have indicated a desire to provide property tax exemptions related to the preparation of lots for commercial development. Although somewhat unusual, site preparation falls within the State of Alaska's definition of economic development.
- Parameters:
  - Exemption is triggered by the beginning of construction, which will need to be defined
  - Exemption should be timebound (perhaps to two years) to avoid ongoing construction
  - Framing this incentive as a deferral that results in abatement if the lot meets preparation criteria may limit abuse
  - The exemption should presumably expire when the lot is sold as well, with a new buyer securing their own economic development exemption (residential or commercial)

# Deteriorated Property Exemption

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- Legal and Administration recommend adoption of the State's deteriorated property exemption, found at AS 29.45.050(o):

A municipality may by ordinance partially or totally exempt all or some types of deteriorated property from taxation for up to 10 years beginning on or any time after the day substantial rehabilitation, renovation, demolition, removal, or replacement of any structure on the property begins. A municipality may by ordinance permit deferral of payment of taxes on all or some types of deteriorated property for up to five years beginning on or any time after the day substantial rehabilitation, renovation, demolition, removal, or replacement of any structure on the property begins. However, if the entire ownership of property for which a deferral has been granted is transferred, all tax payments deferred under this subsection are immediately due, and the deferral ends. Otherwise, deferred tax payments become due as specified by the municipality at the time the deferral is granted. The amount deferred each year is a lien on that property for that year. Only one exemption and only one deferral may be granted to the same property under this subsection, and, if an exemption and a deferral are granted to the same property, both may not be in effect on the same portion of the property during the same time. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption or deferral. An application for a deferral must specify when payment of taxes for each year of deferral will become due, together with an explanation of the reasons for each proposed date for consideration by the municipality. In this subsection, "deteriorated property" means real property that is commercial property not used for residential purposes or that is multi-unit residential property with at least eight residential units, and that meets one of the following requirements:

- (1) within the last five years, has been the subject of an order by a government agency requiring environmental remediation of the property or requiring the property to be vacated, condemned, or demolished by reason of noncompliance with laws, ordinances, or regulations;
- (2) has a structure on it not less than 15 years of age that has undergone substantial rehabilitation, renovation, demolition, removal, or replacement, subject to any conditions prescribed in the ordinance; or
- (3) is located in a deteriorating or deteriorated area with boundaries that have been determined by the municipality.

# Deteriorated Property Parameters

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- Scope of the exemption includes commercial property and multi-family housing with more than 8 units
- Exemption timing needs to be addressed by ordinance: “substantial completion” is typical, and reins in extended exemptions for redevelopment projects/construction
- Council can approve applications to transfer the exemption (some communities provide this for housing projects that require transfer of ownership to qualify for low income housing tax credits, etc.)
- Discuss overlap or distinction between site preparation and demolition and tailor according to City’s development objectives

# QUESTIONS

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Additional questions or recommendations may be directed to the City Manager  
or City Clerk or directly to:

[jspuhler@bhb.com](mailto:jspuhler@bhb.com)