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(S-1) Prepared by: Dept. of Law and
Assembly Counsel's
Office
For reading: April 22, 2025

ANCHORAGE, ALASKA
AO No. 2025-35(S-1), As Amended

**AN ORDINANCE OF THE ANCHORAGE ASSEMBLY REPEALING AND
REENACTING ANCHORAGE MUNICIPAL CODE CHAPTER 12.60, TAX
INCENTIVES FOR HOUSING, AND REPEALING CHAPTER 12.70, TAX
INCENTIVES FOR AFFORDABLE AND WORKFORCE HOUSING.**

WHEREAS, housing is an urgent need in Anchorage, with rental vacancy rates below 5% and rents increasing by 30% since 2019; and

WHEREAS, the 2012 *Anchorage Housing Market Analysis* found multi-unit not feasible, without subsidy to make the project viable: "Building mid-rise residential and mid-rise mixed-use rental developments is not financially feasible in the current market"; and

WHEREAS, Mayor LaFrance has set a goal and strategy to build and rehabilitate 10,000 homes in Anchorage in 10 years; and

WHEREAS, the *10,000 Homes in 10 Years* plan calls for the development of incentives to "close the feasibility 'gap' in residential development and reuse"; and

WHEREAS, the Anchorage Assembly's *Housing Action Plan* sets a vision for "affordable, abundant, diverse housing opportunities" and a strategy to "focus incentives and public investment to increase housing stock"; and

WHEREAS, Goal 2 of the *Anchorage 2040 Land Use Plan (2040 LUP)* calls for "Infill and redevelopment meet the housing and employment needs of residents and businesses in Anchorage"; and

WHEREAS, Goal 3 of the *2040 LUP* states that "Mixed-use, walkable commercial centers and corridors thrive within their neighborhood context, offer housing affordable to a range of incomes, and enable business growth"; and

WHEREAS, Goal 6 of the *2040 LUP* sets a standard that "Anchorage coordinates transportation and land use to provide safe, efficient, and affordable travel choices"; and

WHEREAS, on December 17, 2024, the Anchorage Assembly amended and

approved AO 2024-111, which updated and designated transit-supportive corridors for the purposes of tax incentives for affordable and workforce housing; and

WHEREAS, the Municipality's Gap Funding Working Group in 2021 found that in Downtown Anchorage a typical multi-family housing unit cost more to develop than its market value, by about \$120,000, recommending a property tax abatement of 25 years to eliminate this gap; and

WHEREAS, state statute under AS 29.45.050 allows local governments to abate property taxes for the purpose of economic development, to include the Municipal and School District portions; and

WHEREAS, on March 5, 2019, the Anchorage Assembly approved AO 2019-12, As Amended, which created a property tax abatement incentive under AMC 12.60 that applied to Downtown Anchorage and expired in 2024; and

WHEREAS, AMC 12.60 was active for five years and resulted in 86 new units (final approval), despite a general slowdown of construction activity during the Pandemic and the shorter duration (12 years) of the abatement; and

WHEREAS, per AO 2020-103, AMC 12.70 established 12 years of property tax abatement for the Transit Corridor, it has only one provisional approval for 36 units ; and

WHEREAS, wage theft and unfair labor practices are common in Alaska's construction industry, with 14.6% workers being either misclassified or receiving off-the-books payments, according to a 2023 report by the Century Foundation; and

WHEREAS, the present AO has been crafted to take into account the best available market analysis, lessons learned from the prior 12.60 and 12.70 ordinances, and the priorities identified in *10,000 Homes in 10 Years*, the *Housing Action Plan*, and the *2040 LUP*; now, therefore,

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. Anchorage Municipal Code 12.60 is hereby repealed in its entirety and reenacted to read as follows (in accordance with AMC 1.05.050B., the current text of the repealed chapter is attached as Exhibit A):

Chapter 12.60 *Tax Incentives for Housing*

12.60.010 Property tax incentives for housing; location.

This chapter authorizes property tax exemptions for **the rehabilitation of existing, and** construction of new residential units, provided a minimum of eight **[new]** residential units, **to include no more than one unit[not including any units]** for owner-occupancy, are constructed **or**

rehabilitated and the construction increases the total number of residential units on property.

12.60.015 Property tax incentives for housing[; ~~exclusions~~].

A. **Exclusions:** The following types of properties are not eligible for this housing tax incentive:

1. *Deteriorated property; economic-development property.* Deteriorated property as defined in AMC 12.35.005 and economic development property for which an application has been filed and is under review, or has been granted pursuant to AMC 12.35.040 **or AMC 12.35.050** are not eligible for this housing tax incentive. Submission of an application for exemption pursuant to this chapter shall automatically terminate any existing deteriorated property or economic development property application or designation for the subject property. **This does not render ineligible a property located within a “deteriorated area” as defined under section 12.35.005, if no application is filed or under review or exemption granted for the property.**
2. *Short-term rental property.* Properties with an initial rental term for a period of less than 30 days. Any portion of a property for which the initial rental term is less than 30 days is not eligible for this housing tax incentive. Rental of a portion of a property for an initial term of less than 30 days shall automatically terminate an application for or previously granted exemption under this chapter.
3. *Owner-occupied residential property.* **Any owner-occupied portion of the newly constructed residential units, in excess of one residential unit, is not eligible for this housing tax incentive.**

B. **Requirements: Qualifying new residential units must be built in compliance with State and Federal wage and labor standards and worker safety standards.**

1. **All work performed to construct the new residential units described in the application must be in compliance with State and Federal wage and labor standards and worker safety standards.**
2. **Violations of the requirements of subsection B.1. of this section may be subject to penalty under AMC Chapter 1.60 including three times the value of exemption received.**

12.60.020 Applications for property tax exemptions.

- A. *Submission.* An application for an exemption under this chapter shall be made in writing to the municipal assessor~~[, prior to construction of new residential units (applications made after construction on the residential units begins shall be rejected)]~~.
- B. *Timeline for submission.* Applications must be submitted prior to issuance of the **Conditional** Certificate of Occupancy **for the newly constructed units**~~[or beneficial occupancy of the new residential units occurs]~~. Applications made after issuance of the **Conditional** Certificate of Occupancy **for the newly constructed or rehabilitated units** ~~[or beneficial occupancy of the new residential units, whichever occurs first,]~~ shall be rejected.
- C. *Contents.* The application shall, at a minimum, contain:
1. *Name.* The name of the applicant;
 2. *Address.* The legal description and street address of the property for which the application is made;
 3. *New residential units.* Drawings of the residential units that the applicant will construct, including a floor plan that includes approximate square footages;
 4. *Existing structures.* Drawings showing the square footage of all existing structures and structures to be constructed on the property;
 5. *Increase in residential units.* Plans showing the project will increase the total number of residential units on the property;
 6. *Acknowledgement of liability.* Applicant acknowledges that the residential units will be taxable if and when the residential units are no longer eligible for tax exemption under this chapter;
 7. **Labor Compliance. Applicant acknowledges that the residential units must be built in compliance with State and Federal wage and labor standards and worker safety standards.**
 - ~~[7]~~8. If the applicant is seeking additional duration under AMC 12.60.045B., the application shall include:
 - a. A detailed description of how the property qualifies for the additional duration(s) including sufficient information to support such qualification; and

- b. An acknowledgment that the additional duration may not be approved or may be subsequently removed if certain criteria are not met during the base **[15] 20** years or during the additional duration; and

[8]9. *Other information.* Other information as may be required by the assessor. **Other information may include detailed financial records regarding the design and construction of the residential units.**

- D. *Deadline for applications.* Applications for an exemption under this chapter shall only be accepted before 5:00 p.m. February 28, 2050.

12.60.030 Provisional approval.

- A. The municipal assessor shall provisionally approve an application for tax exemption if:

1. *Complete application.* The applicant submitted a complete application; and
2. *Eight or more **[additional]** units.* The applicant acknowledges it must (a) construct **or rehabilitate** not less than eight **[new]** residential units in accordance with the plans and drawings submitted with its application **or with modifications required for approval by permit or plan review procedures under chapters 21.03 or 23.10.104,** and (b) increase the total number of residential units on the property in order to receive final approval under AMC 12.60.040.

B. Upon receipt of a provisional approval under this section, the following additional incentives shall apply to the proposed construction or rehabilitation project:

- 1. Any applicable fees that may be waived pursuant to section 12.35.055 shall be automatically waived in full without separate application for fee relief. This exemption shall not apply to fines assessed for noncompliance with building code requirements; and**
- 2. Any application for conditional use or administrative site plan review under the provisions of chapter 21.03 or for a minor modification, variance, or other administrative relief under the provisions of Title 21 shall be processed on an expedited basis. Failure of the appropriate decision-making body to act upon such an application with 45 days shall constitute an automatic approval of the application for relief as submitted.**

12.60.040 Final approval upon completion of construction of new housing; magnitude.

A. *Final approval of exemption.* The municipal assessor shall finally approve an application for tax exemption if:

1. The applicant has completed construction of residential units **substantially** in accordance with the plans and drawings **included in the provisional approval [submitted with its application]** and a Certificate of Occupancy has been issued pursuant to AMC 23.10.107.4 for each structure that contains a residential unit described in the application; **[, and]**
2. The total number of residential units on the property has increased **by at least the number required by this chapter;**
and
3. **The applicant submits an affidavit that construction of the residential units was in compliance with State and Federal wage and labor standards and worker safety standards.**

B. *Magnitude of exemption.* The taxes eligible for exemption under this AMC 12.60 are those attributable only to:

1. **T[~~t~~]he newly constructed residential units, exclusive of previously existing or non-eligible residential units (whether or not remodeled) determined on a spatial basis as follows: The square footage of the newly constructed, eligible residential units shall be divided by the square footage of all structures on the property, then multiplied by the assessed value of all improvements on the property and by the mill rate applicable to the property. If an exemption is granted, it shall apply to all of the eligible property taxes attributable to newly constructed, eligible residential units; and**
2. **The value of improvements made to rehabilitated units, exclusive of the pre-existing value of the units. Eligible previously existing, which are non-habitable at the time of initial application will have their value assessed prior to the initiation of any rehabilitative work and shall have their value reassessed upon issuance of a certificate of occupancy. Only the increased value attributable to improvements made by the applicant shall be eligible for exemption from taxation.**

12.60.045 Duration of Exemption

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- A. *Base duration of tax exemption.* Tax exemptions approved under [**this**] section **12.60.040** shall be for a base period of **20** ~~[15]~~ consecutive years beginning on January 1 of the first full calendar year after final approval of the application.
- B. *Additional duration.* Additional consecutive years of tax exemptions may be granted to property meeting conditions defined below to the extent defined as follows:
1. *Geographic location.* Property at least partially within the following areas shall be granted an additional 5 years of exemption upon **final approval** ~~[application]~~; provided: a property may only qualify for one additional term based upon geographic location under this subsection:
 - a. Residential Housing Tax Incentive Area,
 - b. Deteriorated areas as defined in AMC 12.35.005,
 - c. Qualified Opportunity Zones designated by the Internal Revenue Service,
 2. *Mixed-use.* Property qualifying as mixed-use under Title 21 may be granted an additional 3 years of exemption upon application,
 3. ~~**Housing Affordability**~~ ~~**Workforce**~~ ~~**[Affordable]**~~ ~~**housing**~~. Property where at least 20% of units are offered for rent at no more than 120% of Area Median Income as such term is used in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)), may be granted an additional **5** ~~[3]~~ years of exemption upon application,
 4. *Apprenticeship utilization & prevailing wages.* Property constructed using Apprentice Utilization and Prevailing Wages, as defined in section 12.60.080, may be granted an additional 5 years of exemption upon application.
 5. *Parking area conversion. Property that converts surface parking lot or parking structure principal uses, as defined in AMC 21.05.050I., or off-street parking area accessory uses, to residential housing units shall be granted an additional 3 years of exemption.*
- C. *Maximum duration.* No property may be granted more than **28** ~~[25]~~ total years of exemption under this chapter.

12.60.050 Termination of exemption; transfer of exemption.

- 1 A. *Loss of residential units.* If previously eligible residential units on the
2 property become ineligible, an exemption granted under this chapter
3 shall terminate immediately as applied to the units which are no longer
4 eligible.
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6 B. *Less the minimum number of residential units.* An exemption granted
7 under this chapter shall terminate entirely immediately if and when the
8 number of eligible residential units on the property is less than eight.
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10 C. *Verified unfair labor practices.* An exemption granted under this
11 chapter shall terminate entirely immediately if and when a state or
12 federal court or administrative agency determines, in a final
13 unappealable decision, that violations regarding unfair wage practices
14 or unsafe working conditions occurred during the construction of the
15 eligible residential units.
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17 D. *Failure to file annual report.* An exemption granted under this chapter
18 shall automatically terminate if the owner of the property fails to
19 comply with the annual report for three (3) consecutive years.
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21 E. *Transfer on change of ownership.* An exemption **shall run with the**
22 **land and [may be] transfer[red],** in whole only, to another entity or
23 owner when the **[change in] ownership of the property is transferred,**
24 **however the municipality will not prorate the exemption for a**
25 **partial calendar year [occurs].**
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27 **12.60.060 Appeals.**
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- 29 A. *Of assessor to chief fiscal officer.* Any decision of the assessor under
30 this chapter may be appealed to the chief fiscal officer or the chief
31 fiscal officer's designee in writing within 30 days of the date the
32 decision was issued. For the purposes of this chapter the date of
33 issuance is the date upon which the decision was mailed or otherwise
34 delivered to the parties.
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36 B. *Of chief fiscal officer to the office of administrative hearings.* Any
37 decision of the chief fiscal officer or the chief fiscal officer's designee
38 under this chapter may be appealed to an administrative hearings
39 officer in accordance with AMC 3.60 within 30 days of the date the
40 decision was issued. For the purposes of this chapter the date of
41 issuance is the date upon which the decision was mailed or otherwise
42 delivered to the parties.
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44 **12.60.070 Annual reports of owners; assembly notification.**
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- 46 A. *Annual compliance and status report.* Not later than March 15 of each
47 year, the owner of the property for which an exemption has been
48 granted, shall file with the assessor, a report including:

1. *Occupancy.* A statement of occupancy and vacancy of the residential units for the prior 12 months;
 2. *Residential units remain as described.* A certification that the newly constructed residential units described in the application continue to exist and have not been converted to a non-residential use and continue to comply with the requirements of this chapter;
 3. *Further changes.* A description of physical changes or other improvements constructed since the last report or, on first report, since the filing of the application
 4. *Additional duration.* If applicable, documentation supporting any additional duration granted upon final approval under AMC 12.60.045B.; and
 5. *Additional information.* Any additional information requested by the assessor, chief fiscal officer, or designee. **Additional information may include detailed financial records regarding the design, construction, and operation of the residential units.**
- B. *Annual reports to the Assembly.* The assessor shall transmit annual reports to the Assembly in an Assembly Information Memorandum that contains:
1. *Annual reports of property owners.* Copies of annual compliance and status reports submitted by property owners in accordance with AMC 12.60.070A.
 2. *Annual report of exempted taxes.* A summary of the total taxes exempted for each property that has been granted a tax exemption under this chapter.
 3. *Annual report of applications and status.* A summary list of each application for an exemption under this chapter received by the assessor, the status (rejected, provisional approval, or final approval), number of units proposed, under construction and completed, and the parcel address or description of location.

12.60.075 Confidentiality of information.

At the request of the applicant or owner, financial information and records submitted with the application or annual reports, and other information in which the applicant or owner has a reasonable expectation of privacy and nondisclosure, shall be confidential and

may not be released except upon court order, when necessary to enforce the provisions of or to collect the taxes due to the municipality and reviewed only by the municipal assessor, and not disclosed except to the municipal attorney, chief fiscal officer, the internal auditor, or administrative hearing officer in the performance of their official duties.

12.60.080 Definitions.

In this chapter:

“Apprenticeship Utilization (AU)” means the Developer will ensure that any contractor or subcontractor who employs four or more individuals for the construction of a project shall demonstrate a verifiable commitment to collaborating with federally recognized apprenticeship programs within the area. These contractors and subcontractors are expected to maintain a ratio of three (3) journeymen to one (1) apprentice for 10% of total work hours.

“Construction” has the same meaning set forth in AMC 21.15.040.

“Initial rental term” means the first contractual lease term entered into between landlord and tenant unique to each unit rented and each tenant.

“Prevailing Wage (PW)” means the prevailing *per diem* wage rate corresponding to a specific labor classification. This rate is to be determined by the Director of Public Works, based on the prevailing wage determinations as outlined in the *Laborers’ and Mechanics’ Minimum Rates of Pay*, **[AKA Pamphlet 600]** per Alaska Administrative Code, 8 AAC 30.050 and AS 36.05.010. ~~[The Developer will bear full responsibility for ensuring the payment of the prevailing per diem wage rate corresponding to their labor classification.]~~

“Qualified Opportunity Zone” means properties located within the boundaries of a population census tract that is a low-income community designated as a Qualified Opportunity Zone by the United States Internal Revenue Service under the Tax Cuts and Jobs Act of 2017 (Public Law No. 115-97). Qualified Opportunity Zones located within the Municipality of Anchorage are depicted below.

“Residential Housing Tax Incentive Area” means properties located within the boundaries of the Residential Tax Incentive Area as depicted below. This includes properties located generally within the Downtown Planning Area, the Midtown District Planning Area, and Transit-supportive development corridors.

“Rehabilitation” means major repair, replacement, construction or reconstruction, including alterations and additions, having the effect of rehabilitating an existing uninhabitable property so that it becomes

habitable or is brought into compliance with laws, ordinances or regulations governing such standards. Ordinary upkeep, minor repair, and maintenance shall not be deemed rehabilitation.

[INSERT MAP BOOK ATTACHED AS ATTACHMENT A]

“Residential unit” means a dwelling unit as defined in AMC 21.15.040 which is **either owner-occupied or**~~[either owner-occupied or only]~~ leased **or rented to the same person or persons for 30 or more consecutive days.** **As used in this definition “person” means only natural persons [for periods of at least one month].**

Section 2. Anchorage Municipal Code 12.70 is hereby repealed in its entirety (in accordance with AMC section 1.05.050B., the current text of the section to be repealed is attached as Exhibit A).

Section 3. Pursuant to AS 29.45.050(m), notice is hereby provided that this ordinance, if adopted, or the entirety of Chapter 12.60 may be repealed by the voters through referendum.

Section 4. This ordinance shall be effective immediately upon passage and approval by the Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 22nd day of April, 2025.

Chair

ATTEST:

Municipal Clerk