

ORDINANCE NO. 6208

AN ORDINANCE AMENDING FGC SEC. 74-36, ECONOMIC DEVELOPMENT PROPERTY TAX EXEMPTION OR DEFERRAL AND ADDING FGC SEC. 74-37, TAX INCENTIVE FOR HOUSING

WHEREAS, state law authorizes a tax exemption or deferral for certain economic development property; and

WHEREAS, temporary relief from property taxes can be an incentive for new construction, and there is currently a need for quality, residential housing in certain areas of the City; and

WHEREAS, the Fairbanks area has experienced a housing shortage, impacting the ability of residents to find affordable, efficient housing in the community; and

WHEREAS, the Eielson Regional Growth Plan identified housing needs within the community and projected that a targeted tax exemption program could incentivize development; and

WHEREAS, the Fairbanks North Star Borough recently passed Ordinance No. 2022-11, which authorized a tax exemption for new residential units; and

WHEREAS, it is the desire of the Fairbanks City Council to encourage well-built, efficient, sustainable housing that will last for generations.

NOW THEREFORE, BE IT ENACTED BY THE CITY COUNCIL OF THE CITY OF FAIRBANKS, ALASKA, as follows:

SECTION 1. FGC Sec. 74-36, Economic development property tax exemption or deferral, is hereby amended as follows [new text in **bold/underline** font; deleted text in ~~strikethrough~~ font]:

FGC Sec. 74-36. Economic development property tax exemption or deferral.

(a) The council may grant a partial or total exemption and/or deferral for economic development property only if the granting of such exemption and/or deferral will provide economic benefit to the city, and

- (1) The exemption and/or deferral will provide measurable public benefits commensurate with the level of incentive granted;

- (2) The property owner is in compliance with all state and local tax obligations;
- (3) The location of the trade, industry, or business is compatible with land use and development plans of the borough; and
- (4) The exemption and/or deferral is necessary to allow adequate time for improvements to be completed and revenue to be generated by the property.

(b) Economic development property means real property that:

- (1) Has not previously been taxed as real or personal property by the city; however, improvements on properties may be partially or wholly tax exempted or deferred under this section.
- (2) Is used in trade or city business in a way that:
 - A. creates employment in the city ~~directly related to the use of the property that does not supplant jobs in another similar industry;~~ or
 - B. generates sales outside of the city of goods or services produced in the city; or
 - C. materially reduces the importation of goods or services from outside the city.

(3) **An exemption and/or deferral on the property enables a significant capital investment in physical infrastructure that:**

A. expands the tax base of the city; and

B. will generate property tax revenue after the exemption expires. or

(4) Has not been used in the same trade or business in another city for at least six months before the application for deferral or exemption is filed; this limitation does not apply if the property was used in the same trade or business in an area that has been

annexed to the city within six months before the application for deferral or exemption is filed; this subsection does not apply to inventories.

(c) An ordinance by the Fairbanks City Council must precede any action to authorize a tax exemption or deferral under this section.

SECTION 2. FGC Chapter 74, Article II, Property Tax, is amended by adding a new Section 74-37. Tax incentive for housing, as follows:

FGC Sec. 74-37. Tax incentive for housing.

(a) As permitted by state law, a property tax exemption or deferral may be approved for the construction of new residential units. The assessed value attributable to the new residential units may be granted an exemption or deferral for a maximum of five years total if five or more residential units are constructed and for a maximum of two years if fewer than five residential units are constructed. The requirements in this section must be fully complied with.

(1) *Application.* A completed city-approved application, or a completed Fairbanks North Star Borough application for the same project, must be submitted by the property owner prior to construction of new residential units; applications submitted after construction begins will be rejected. Applications for an exemption under this section will only be accepted on or before June 30, 2024. The building department must forward a completed application together with an ordinance to the city clerk for placement on a council agenda with a recommendation for approval or denial no later than 30 days after receipt. In addition to any information required by the building department, the application must contain:

- A. A map or other proof that the entire property is within a military facility zone or within the boundaries of the city;
- B. Drawings of the residential units that the applicant will construct, including site plans and a floor plan that includes:

- (i) layout of new structures on the property to include existing structures and any changes that will be made to existing structures;
 - (ii) approximate square footages of all new units;
 - (iii) plans showing the construction will increase the total number of residential units on the property.
 - C. An acknowledgement by the applicant that the residential units will be taxable when the residential units are no longer eligible for tax exemption under this Article.
 - D. A document describing how the project serves an area in which demand for housing exceeds available inventory, serves a need with respect to cost and type of construction, and includes energy efficiency building standards.
 - E. The details of any plan to transfer, convey, or assign ownership to any third party after construction.
- (2) *Criteria.* An application may be approved by the city council if the following criteria are met:
- A. There is a demonstrated need for location, cost, and type of construction that is proposed.
 - B. Construction is for entirely new residential units and not an extension or modification of existing structures on the property.
 - C. The additional residential units will be constructed on the property within two years of approval.
 - D. Each residential unit provides living facilities for one or more persons and includes permanent provisions for living, sleeping, eating, cooking, and sanitation.
 - E. Residential units must either be owner-occupied or leased for periods of at least one month.

F. The proposed term of the exemption is proportionate to the benefit of the development, not to exceed the terms set forth in Sec. 74-37(a).

(3) *Final approval.*

A. *Four or fewer residential units.* After the applicant has completed construction of the foundation of the structure in accordance with their approved application and submitted any documents the building official may require, the exemption will be approved for the property improvements attributable to the newly constructed residential units on the property (no previously constructed units, whether or not remodeled, non-residential improvements, or land may be included). The exemption will begin on January 1 of the calendar year after final approval.

B. *Five or more residential units.* After the applicant has completed construction in accordance with their approved application and submitted any documents the building official may require, including a Certificate of Occupancy, the exemption will be approved only for the property improvements attributable to the newly constructed residential units on the property (no previously constructed units, whether or not remodeled, non-residential improvements, or land may be included). The exemption will begin on January 1 of the calendar year after final approval.

(4) *Termination.* An exemption under this section terminates immediately if the number of residential units on the property is less than the number existing at the time of final approval of the application, if the property is used for other than residential purposes, or for failure to comply with any other condition of approval.

(5) *Exclusions.* A property that is receiving any other optional tax exemption, deferral, or credit is not eligible for a housing incentive, and a property receiving a housing incentive is not eligible for any other optional tax exemption, deferral, or credit

during the time for which the housing incentive is applied to the property.

- (5) *Annual report.* Not later than March 15 of each year, the owner of the property for which an exemption is granted must file with the building department a report that includes:
 - A. A statement of occupancy and vacancy of the residential units for the prior calendar year.
 - B. 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.
 - C. A description of the physical changes or other improvements constructed since the last report or, on the first report, since the filing of the application.
 - D. Any additional information requested by the building official.
- (6) *Transfer of ownership.* An exemption that is granted for construction of five or more residential units will not be terminated due to a transfer or assignment in ownership of the property during the exemption period if such change is in accordance with the plan submitted at the time of approval and the new owner agrees to comply with all conditions of approval on a form approved by the building official.

SECTION 3. That the effective date of this ordinance will be the ____ day of June 2022.

JIM MATHERLY, Mayor

AYES: Therrien, Rogers
NAYS: Cleworth, Marney, Clark, Gibson
ABSENT: None
FAILED: June 27, 2022

ATTEST:

APPROVED AS TO FORM:

D. Danyielle Snider, MMC, City Clerk

Paul Ewers, City Attorney

FAILED

CITY OF FAIRBANKS
FISCAL NOTE

I. REQUEST:

Ordinance or Resolution No: 6208

Abbreviated Title: ECONOMIC DEVELOPMENT AND TAX INCENTIVES FOR HOUSING

Department(s): _____

Does the adoption of this ordinance or resolution authorize:

1) additional costs beyond the current adopted budget? Yes _____ No x

2) additional support or maintenance costs? Yes _____ No x

If yes, what is the estimate? see below

3) additional positions beyond the current adopted budget? Yes _____ No x

If yes, how many positions? _____

If yes, type of positions? _____ (F - Full Time, P - Part Time, T - Temporary)

II. FINANCIAL DETAIL:

PROJECTS:	TOTAL
TOTAL	\$ -

FUNDING SOURCE:	TOTAL
GENERAL FUND (PROPERTY TAXES)	\$ (7,860)
TOTAL	\$ (7,860)

This fiscal note is based on the median home assessed value of \$273,100 at the current mill levy of 5.754 for 5 years.

Reviewed by Finance Department: Initial mb Date 6/7/2022