

Multi-Family Property Tax Abatement Incentive

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Anchorage needs more housing!

- Estimates show **Anchorage needs to build or renovate 1,000 units of housing per year** to meet community need.
- Very little multi-family housing is getting built in Anchorage.
- This type of housing development doesn't financially "pencil" in the Municipality. Incentives are needed to help spur development and bring more housing to our community.

Anchorage needs an estimated **9,600 housing units** over the next 10 years.

4,600
of these are existing units
that need replacement or
renovation due to housing
condition.

230
new units are needed,
due to expected population
growth

4,770
new units are needed,
due to overcrowding.
4.5% of Anchorage's 107K
households live in
overcrowded conditions


Alignment with Muni goals

“Expand geographic scope and timeline of property tax abatements for multi-family housing.”

“Focus Incentives & Public Investment to Increase Housing Stock”

Mayor Suzanne LaFrance Housing StrategyDecember 5, 2024

10,000 HOMES
IN TEN YEARS

ANCHORAGE ASSEMBLY
HOUSING ACTION PLAN

THE ASSEMBLY'S HOUSING VISION
The Municipality of Anchorage has affordable, abundant, and diverse housing opportunities, so everyone who wants to live here can find a home that fits their needs and preferences.

We Want More Housing!

Cottage houses	Duplexes, 3- and 4-plexes	Supportive housing	Housing for seniors	Starter homes	Condominiums
Affordable rentals	Multi-generational housing	Walkable neighborhoods	Innovative design	New ownership models	Apartments

GUIDING PRINCIPLES

- Attainable home ownership
- Housing quality, choice, stability and accessibility
- Quality rental options
- Community where everyone belongs
- Distinct neighborhoods
- Economic prosperity
- Engage the whole community in solutions
- Innovation & collaboration
- Government that works

GOALS

1. Increase the supply of housing units for sale and for rent.
2. Diversify the housing market: housing types, sizes, price points, locations, accessibility, and ownership models.
3. Increase the share of resident-occupied housing throughout the year and reduce the number of vacant units.
4. Reduce housing cost burdens and ensure safe, affordable, high-quality permanent housing for all residents.
5. Make the Municipality a better partner in the development process.

STRATEGIES


1. Remove Barriers to Infill and New Construction
2. Encourage Reuse and Redevelopment
3. Develop Funding Streams for Infrastructure and Public Utilities
4. Focus Incentives & Public Investment to Increase Housing Stock
5. Expand Housing Affordability, Accessibility and Stability
6. Streamline Municipal Processes

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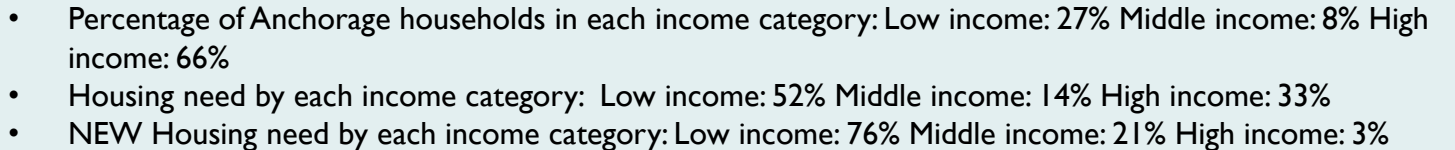
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Most NEW Housing Need is at the Low- and Middle-Income Levels



What has the market been able to produce recently?

Year	Multi Family all of MOA	Larger Multi-Family Projects 8-units or larger & in Anchorage Bowl			
		Total	Projects with Federal Funding (Tax credits or other)	Market Rate with Property Tax Incentives	Market Rate No Federal or Local Property Tax Incentives
2022	[1] 168	123	[2] 75	[3] 48	0
2023	78	21	21	0	0
2024	110	59	59	0	0
Total	356	203	155	48	0

[1] Includes multi-family projects at least three units in all of the MOA, Most projects are 4 units, on average. Downtown Edge projects included, which receive downtown property tax incentive.

[2] Includes projects by Q2 Investments, Swell, LLC and Cook Inlet Housing Authority

[3] Block 96

- Some activity in the smaller multi-family product type occurred without property tax incentives or federal funding. Typically, projects that are 4 units in size, on average. Includes a couple of larger projects in Eagle River.
- No larger (over 8 units) market rate multi-family projects have been built without either federal funding or property tax incentives, during this time frame.

Scenarios 1 and 2: No Incentive & Property Tax Incentive

Scenario 1:
No incentives



Scenario 2:
**25-Year Property
Tax Incentive**

Gap is calculated based on the difference between the Total Development Costs and the value of the income stream at a 7.5% cap rate.

25-year property tax incentive almost entirely eliminates the financing gap

Other options include:

- Reduced costs
- Higher rents
- Land write-downs
- Patient capita/gap financing

GAP PER UNIT

\$130,000 / unit

GAP PER UNIT

\$10,000 / unit

25 YEAR TAX INCENTIVE

\$120,000 / unit

\$12.8 million project

\$12.8 million project

Prior recommendation

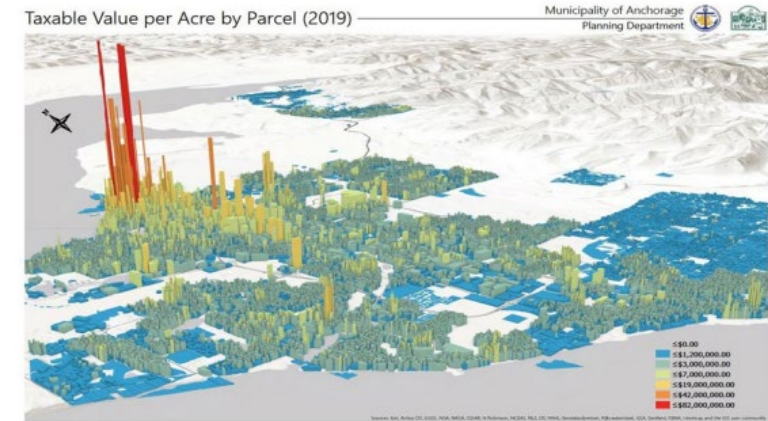
“Adopt an 8+ unit market rate housing tax abatement of 25 years for all of Anchorage...”

OUR DOWNTOWN:

ANCHORAGE DOWNTOWN DISTRICT PLAN 2021 (A.O. 2022-27)

EARLY ACTION ITEM EA-5: Identify and Establish New Sources of Funding

GAP FUNDING WORKING GROUP TECHNICAL MEMORANDUM



GAP Funding Working Group Purpose:

Discuss the financial gap in providing new rental housing and brainstorm new sources of revenue, tax incentives, or other incentives to fill the known funding gap for market rate rental housing in Downtown Anchorage.

Amended 1/24/23 from 10/18/22 Original

 **OUR DOWNTOWN**
The Heart of Anchorage
A Project to Implement the Downtown Comprehensive Plan

AO 2025-35 Property Tax Incentive

- Incentive to build more housing
- Grants 15 years of property tax abatement for new multifamily developments with 8 or more units
- Applies to qualifying buildings but not land
- Bonus years for meeting certain criteria (up to 25 total)
- Citywide, but with geographic bonuses

Requirements

- Must be rental housing, not owner-occupied
- Minimum of 30-day lease
- Properties receiving incentive under 12.35 are not eligible
- Land and non-qualifying buildings not eligible
- Application to Municipal Assessor prior to certificate of occupancy
- Annual reporting requirements

Annual reporting

- Owners report to Assessor:
 - Occupancy
 - Unit status
 - Changes/improvements
- Assessor reports to Assembly:
 - Annual reports of property owners
 - Report of exempted taxes
 - Report on applications and status

Termination may occur

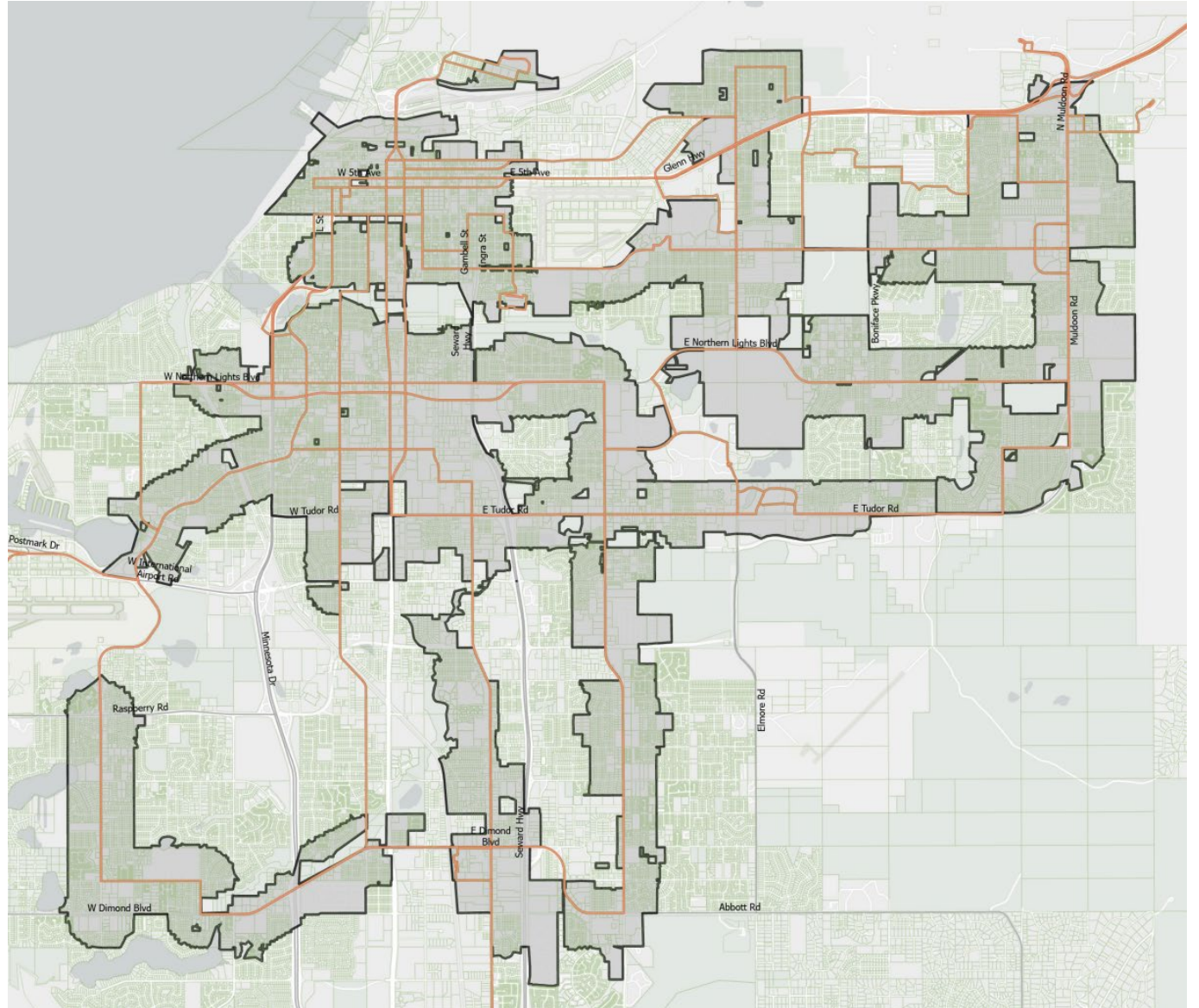
- Loss of residential units
- Reduction of units below 8
- Verified unfair labor practices
- Failure to file annual report

Bonus Table

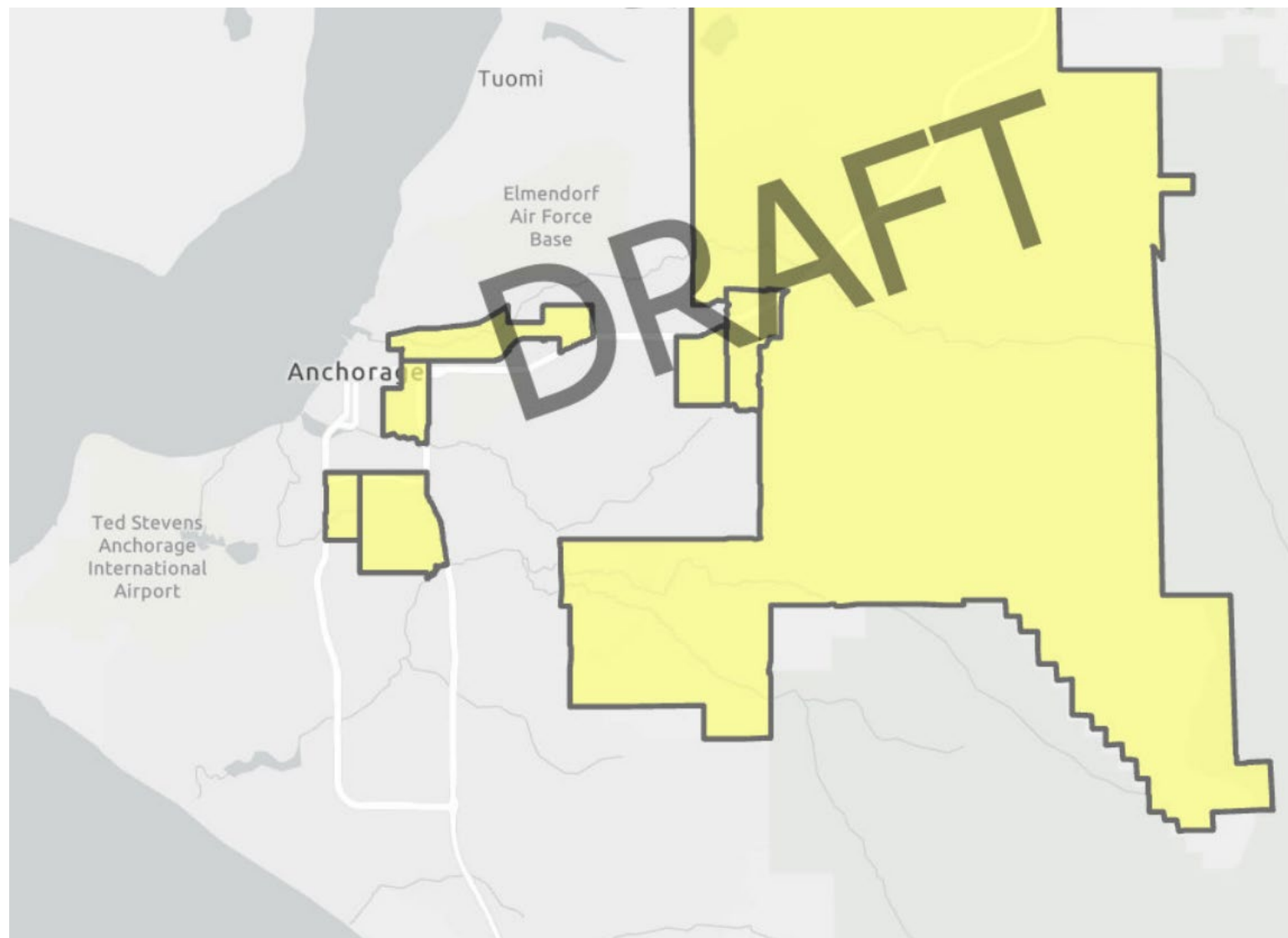
Up to a maximum abatement length of 25 years

BENEFIT	ADDITIONAL YEARS
In Tax Incentive Area: Downtown, Midtown, Transit Corridor	5
In a Deteriorated Area	5
In a Qualified Opportunity Zone	5
Meets prevailing wage and apprenticeship utilization standards	5
20% of units affordable at 120% AMI	3
Qualifies as mixed use	3

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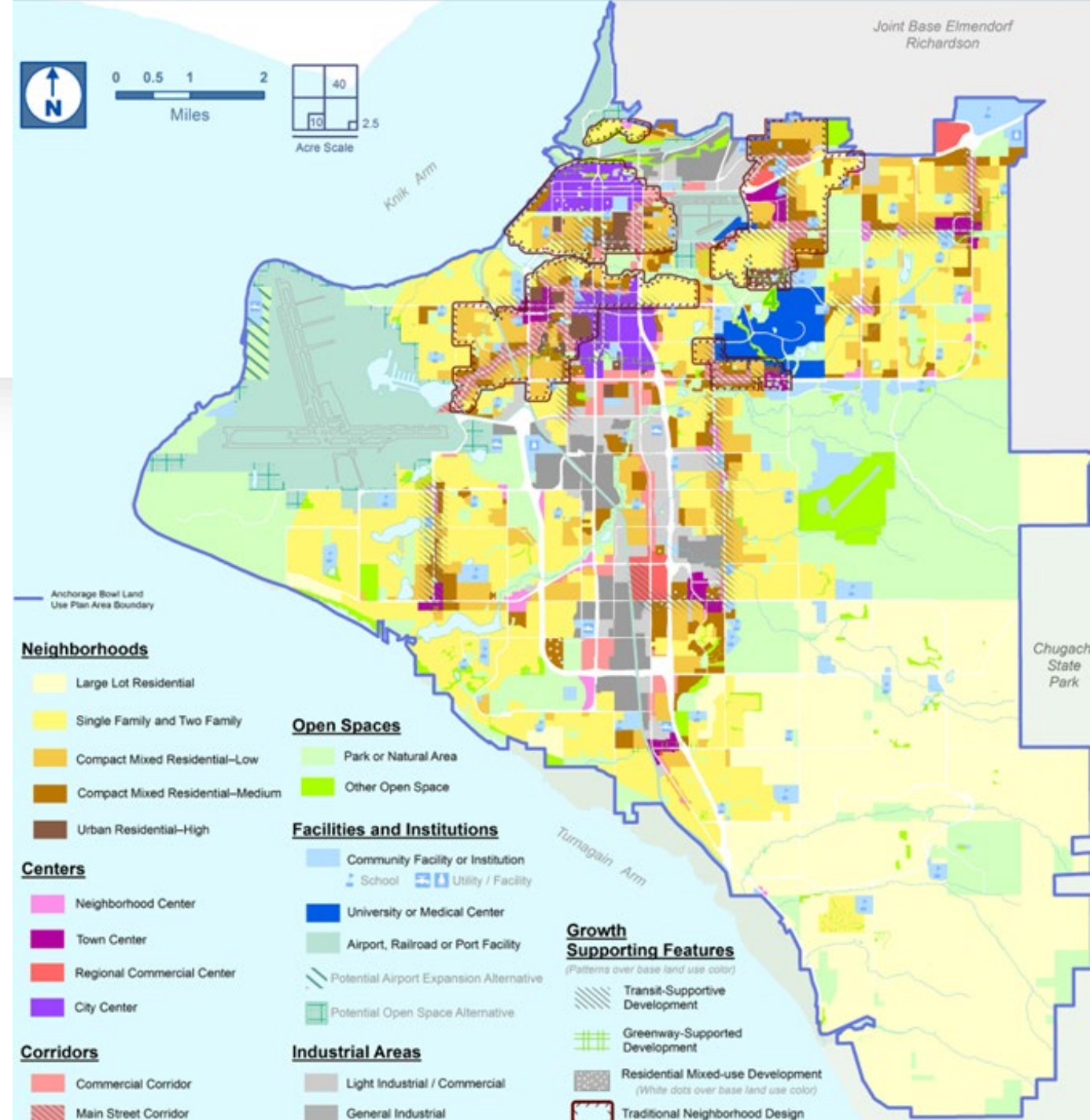


Qualified Opportunity Zones



2040 Land Use Plan

- Goal 2: “**Infill and redevelopment** meet the housing and employment needs of residents...”
- Goal 3: “**Mixed-use**, walkable commercial centers and corridors thrive within their neighborhood context...”
- Goal 6: “Anchorage **coordinates transportation and land use** to provide safe, efficient, and affordable travel choices”



Prevailing Wages and Apprenticeships

- 5-year bonus incentive to help build our construction workforce
- Rewards developers who pay workers a “prevailing wage” defined by AK Department of Labor
- Utilization of federally-recognized apprenticeships for 10% of total work hours



S-1 Version Changes: Forthcoming

- Baseline incentive from 15 to 20 years
- Slightly higher maximum
- Stronger labor protections
- Language cleanup and clarification
 - Application timing
 - Affordability bonus requirement



Questions?
