



HAINES BOROUGH, ALASKA
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MEMO

TO: Haines Borough Assembly and Mayor Olerud
DATE: September 11, 2022
RE: Background for Ordinance 22-08-625 (Temporary Exemption from Property Tax)

The Housing Working Group met December 1, 2021, and considered a number of concerns related to a housing shortage in Haines. Participants listed a variety of factors including:

- Lack of diversity of rentals (studios, apartments, dry cabins)
- Increase in rental prices and lack of available rentals
- Short construction season
- Lack of developer incentives and high cost of construction

The top three ideas that came from the brainstorming session were:

1. Continue to develop Mt. Riley Subdivision (Borough subdivision); consider a lower down payment, potentially lowering interest rates charged by the Borough.
2. Tax incentives for developments:
 - a. Subdivision developers
 - b. Structure developers
 - c. Multi-housing developers
3. Research how to build more low/medium income/subsidized housing.

Housing was discussed in the Finance Committee. In a memo to the Finance Committee (meeting dates 10/12/21 and 1/11/22), Planner Dave Long pointed out: permits issued for new (mostly single family) home construction:

2008-2012 and 2015-2017 an average of 3.63 homes/year
2018-2021 has averaged 7.16 permits per year

The Haines Borough has not had a subdivision developed by a private developer since 2008. While there are myriad reasons why – including current costs of materials, supply chain issues, interest rates, etc., it remains a fact. Without development of available land and without residents willing to sell

established homes – a housing shortage is created for workers wanting to move to Haines. The issue is replicated all across Alaska – Petersburg, Anchorage, and Ketchikan have all struggled. Many of those communities are also enacting ordinances seeking to create solutions to the housing shortage.

The Assembly (March 8, 2022) unanimously approved the suggested ordinance forwarded by the Housing Working Group (Ordinance 22-01-603) allowing the temporary exemption for improvements in subdivisions.

The Borough Code had an existing temporary property tax exemption for the postponement of the increased value of repairs or renovations to existing structures. At the same time the economic development temporary exemption was added, the Assembly also added a temporary property tax exemption for improvements on up to three lots in a subdivision. That temporary exemption is valid for a maximum of five years.

Testimony from two developers before the Housing Working Group is that the five-year exemption is not sufficient for the investment to install the water/sewer and other utilities and roads to a subdivision. However, the potential 10-year exemption has important caveats:

- 1) The property must be used in a way that creates employment in the Borough.
- 2) The exemption enables a significant capital investment in infrastructure that:
 - a. Expands the tax base of the municipality; **and**
 - b. Will generate property tax revenue after the exemption expires.

The application from Highland’s Estates meets this criteria. The Borough Assessor has approved the application. Testimony while the ordinance was under consideration was that 10 years would be a sufficient time for a temporary tax exemption on the improvements.

The owner of the subdivision that is the subject of the application before you is currently paying \$3,325 in property taxes annually on the two parcels being sub-divided. It will continue to pay these taxes, but won’t be assessed the increased value as soon as a road is put in and water/sewer utilities are put in. When these lots are sold, the new owners will pay the newly assessed property tax amount that will include the value of the improvements. If the developer has not sold all of the lots within the timeframe of the exemption, he will be assessed the full value for those remaining lots. The exemption terminates for the developer with the sale of each lot. The Borough stands to gain more in property taxes in the future with development happening now.