

Submitted by: Chair of the Assembly
at the

Request of the Mayor

Prepared by: Property Appraisal
Division

For reading: January 25, 2022

**ANCHORAGE, ALASKA
AO No. 2022-25**

AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY AMENDING ANCHORAGE MUNICIPAL CODE CHAPTER 12.15 TO ADD A SECTION TO CREATE A PROPERTY TAX EXEMPTION FOR CERTAIN ACCESSORY DWELLING UNITS (ADUs).

WHEREAS, constructing an Accessory Dwelling Unit (ADU) can increase a property owner's municipal tax obligation. After construction of an ADU, the total assessed value of the parcel is likely to exceed the prior year's assessed value; and

WHEREAS, Alaska Statute 29.45.050(m) provides that "A municipality may by ordinance partially or totally exempt all or some types of economic development property from taxation for a designated period."; and

WHEREAS, Alaska Statute 29.45.050(m)(1)(C) provides that "an exemption or deferral on the property enables a significant capital investment in physical infrastructure that (i) expands the tax base of the municipality; and (ii) will generate property tax revenue after the exemption expires;"; and

WHEREAS, it has been determined that the construction of ADUs is a significant capital investment in physical infrastructure, will expand the tax base, and will generate future property tax revenues in the municipality; and

WHEREAS, more property owners are projected to construct ADUs if the assessed value of their property exempts the new ADU portion; and

WHEREAS, the construction of more ADUs will potentially provide more affordable housing and possibly stimulate the local economy; now, therefore

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. Anchorage Municipal Code section 12.15.015 is hereby amended to read as follows (*the remainder of the section is not affected and therefore not set out*):

Chapter 12.15 REAL PROPERTY TAXATION

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12.15.015 Real property exemptions.

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C. Strict enforcement of deadlines to file an exemption application and annual certification.

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4. Annual certification shall be in the form prescribed by the assessor, and received by the assessor by no later than March 15 of the current tax year, or the exemption expires and a new application is required.

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f. Annual certification is not required for the ADU exemption in subsection E.7.

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E. Municipal exemptions

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7. Property tax exemption for certain property with Accessory Dwelling Units (ADUs).

The increase in assessed value directly attributable to the addition of an Accessory Dwelling Unit (ADU) on a parcel of land, which already has an existing structure(s) shall be exempt from municipal property taxes, for a maximum of ten (10) years. This exemption shall not apply to taxes levied for special services in a service area or for the school district's required local contribution under AS 14.17.410(b)(2). This exemption is subject to the following conditions and restrictions:

a. Except where the assessor determines good cause exists to do otherwise, the magnitude of the exemption shall be calculated as follows: the square footage of the new living area from the ADU shall be divided by the square footage of all living area on the property, then multiplied by the assessed value on the property and by the mill rate excluding school levy or special service areas. Living area is defined as enclosed residential space suitable for year-round occupancy calculated by the Municipal Assessor.

$$= \frac{SF \text{ of new living area from the ADU}}{\text{Sum of total living area}} * \text{Assessed Value} * \frac{\text{mill rate}^*}{1,000}$$

* excludes school levy or special service areas

- b. The ADU meets the definition of an ADU under Title 21 and Title 23
- c. The exemption shall only apply to property for which an ADU was completed after the adoption of this ordinance. The completion date shall be defined as the issuance date of the certificate of occupancy by the Municipality.
- d. A signed application on a form approved by the Municipal Assessor must be submitted within one year of completion of the ADU. The applicant must provide all relevant information and documents requested by the Municipal Assessor’s Office.
- e. The exemption shall terminate for each ADU when:
 - i. The parcel, existing structure, and/or ADU ownership is transferred; or
 - ii. Taxes have been exempted for the maximum ten (10) year period.

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(AO No. 86-211(S-1); AO No. 88-158; AO No. 92-56; AO No. 94-228(S-2), § 1, 2-7-95; AO No. 95-199, § 1, 1-1-96; AO No. 97-146, § 1, 1-1-98; AO No. 2003-149, § 1, 11-4-03; AO No. 2008-18, § 1, 2-12-08; AO No. 2009-133(S-1), § 2, 1-12-10; AO No. 2011-16, § 2, 2-1-11; AO No. 2011-37(S), § 1, 4-12-11; AO No. 2011-108(S), § 1, 11-22-11, retro eff. 1-1-10; AO No. 2012-1, § 2, 4-3-12; [AO No. 2014-150\(S\)](#), § 1, 2-3-15; [AO No. 2016-118\(S\)](#), § 1, adopted 12-20-16; AO No. [2017-154](#), § 2, 12-19-17; AO No. [2019-102](#), § 1, 9-10-19; [AO No. 2020-96](#), § 4, 9-1-21*)

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Section 2. This ordinance shall be effective, after passage and approval by the Assembly, on _____, 2022 and shall be applicable to assessment and billing functions associated with the tax year 2023. Any property tax accounts billed for the tax year 2022 shall follow the applicable tax year requirements which precede the effective date of this ordinance.

PASSED AND APPROVED by the Anchorage Assembly this _____ day of _____, 2022.

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ATTEST:

Chair

Municipal Clerk