

**MEMORANDUM**

**TO:** Brent Hibbert, Assembly President  
Members, Kenai Peninsula Borough Assembly

**THRU:** Charlie Pierce, Mayor *CP*

**FROM:** Adeena Wilcox, Assessing Director *aw*

**DATE:** June 3, 2021

**RE:** Ordinance 2021-22, Authorizing the Assessor to Assess a Low-Income Housing Tax Credit Property Based on Restricted Rents (Mayor)

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The assessing department received a timely application from East End Cottages, LLC requesting that the assessor value their low-income housing tax credit (LIHTC) property based upon the restricted rents derived from the property.

LIHTC projects in Alaska are created when the property owner enters into a binding agreement with Alaska Housing Finance Corporation, under which the owner agrees to restricted rents for qualifying low income tenants in exchange for an allocation of income tax credits authorized under United States tax code, 26 U.S.C. 42. The rent restrictions endure for a period of 30 years, and the tax credits are allocated annually over a 15-year period. The right to receive the tax credits is typically sold to a partner at the beginning of a project, with the sale proceeds being used to finance construction or renovation of the apartments.

Alaska Statute 29.45.110(d) requires properties that first qualified as LIHTC projects before January 1, 2001 (the effective date of the legislation) to be valued based upon the actual income derived from the restricted rents without consideration of the value of the tax credits. This methodology typically results in a value that is less than the "full and true" value at which all other properties are assessed.

For properties that first qualify as LIHTC on or after January 1, 2001, the statute allows municipalities to either apply the restricted rent method of valuation to all LIHTC properties, or to exempt these properties from automatically being valued based on restricted rents. If the assembly chooses to exempt properties that first qualify for LIHTCs after January 1, 2001, as the borough did in Ordinance 2003-43, the statute allows the assembly to consider each property, upon application, on a parcel-by-parcel basis to determine whether it will be valued based upon the restricted rents or at full and true value. This is the approach established by KP.B 5.12.085.

Previously, all other post-January 1, 2001 LIHTC projects that have applied for a determination to be assessed based on the restricted rental income method have been denied by the assembly, as follows:

- Resolution 2004-73 failed, which would have approved the restricted rent income method for Bayview Apartments in Seward and Parkview Apartments in Soldotna.
- Resolution 2005-051 approving an application for Pacific Park Apartments in Seward to be assessed based on the restricted rental income method also failed.
- Resolution 2013-044 failed, which would have approved the restricted rent income method for Aurora Vista apartments in Kenai.
- Resolution 2014-047 failed, which would have approved the restricted rent income method for Kimberly Court in Seward and Northwood Apartments in Soldotna.
- Resolution 2015-024 failed, which would have approved the restricted rent income method for Conifer Woods in Homer, Laurawood Arms in Soldotna, and Woodridge Apartments in Kenai.
- Resolution 2016-030 failed, which would have approved the restricted rent income method for Gateway apartments in Seward and Harbor Ridge apartments in Homer.

The East End Cottages project qualified for LIHTCs after January 1, 2001. The property owners have submitted timely applications for assessment based on the restricted rent income method beginning in 2021. In accordance with state statute, the assembly, through Ordinance 2003-43 (KPB 5.12.085), must determine whether it wishes these projects to be assessed at unencumbered full and true value or based on the restricted rents without adjustment for the amount of tax credits. There are presently no LIHTC properties within the Kenai Peninsula Borough that are being valued based upon the restricted rent income method.

Should this resolution fail to be approved by the assembly, such failure will be deemed an affirmative decision as to the manner by which this property shall be assessed in future years (i.e. at full and true value). In accordance with AS 29.45.110(d)(2)(B), the assembly may not change the manner of assessment of the parcel if debt relating to the property incurred in conjunction with the property's qualifying for the low-income housing tax credit remains outstanding.

Your consideration is appreciated.