



KENAI PENINSULA BOROUGH

Assessing Department

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MIKE NAVARRE
BOROUGH MAYOR

MEMORANDUM

TO: Dale Bagley, Assembly President
Members of the Kenai Peninsula Borough Assembly

THRU: Mike Navarre, Mayor *MN*

FROM: Tom Anderson, Borough Assessor *TA*

DATE: May 7, 2015

SUBJECT: Resolution 2015-024, A Resolution Authorizing the Assessor to Assess Specified Low-Income Housing Tax Credit (LIHTC) Properties Based Upon Restricted Rents

The assessing department received timely applications from Conifer Woods, Laurawood Arms and Woodridge Apartments, each 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 KPB 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. For example, Resolution 2004-73 failed, which would have approved the restricted rent income method for Bayview Apartments in Seward and Parkview Apartments in Soldotna. Likewise, Resolution 2005-051 approving an application for Pacific Park Apartments in Seward to be assessed based on the restricted rental income method also failed. More recently, Resolution 2013-044 failed, which would have approved the restricted rent income method for Aurora Vista apartments in Kenai.

The Conifer Woods, Laurawood Arms and Woodridge Apartments projects 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 2015. In accordance with state statute and KPB 5.12.085 the assembly 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 is presently one LIHTC property within the Kenai Peninsula Borough that is being valued based upon the restricted rent income method, because this property entered into an LIHTC agreement prior to January 1, 2001.

The borough assessor recommends that the assembly not adopt this resolution, as it would create an inequity of assessment between these properties (Conifer Woods, Laurawood Arms and Woodridge Apartments) and all similar properties, with these being valued based on restricted rents and all others at unencumbered full market value. Should the assembly choose to adopt this resolution, the assessor recommends that it amend the resolution to include specific findings as to why it is approving a preferential assessment methodology for these, or some of these projects, but has previously denied them to others. Such findings could include factors such as project location, changes in the local economy, changes in the need for low income housing, etc.

Should this resolution fail to be approved by the assembly, such failure will be deemed an affirmative decision as to the manner by which these individual properties 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.