



Economic Development

AND THE

KENAI PENINSULA BOROUGH

What is Economic Development?

- ▶ Economic Development as defined by KPB Code *“means private sector expansion that creates permanent jobs, adds to the borough's long-term tax base, and results in enhanced economic activity and quality of life for borough residents”*

Code options available for Economic Development

- ▶ 5.12.116 Economic Development Property Exemption
 - ▶ This exemption is an optional exemption.
 - ▶ Up to 50% of tax assessed value for up to 5 years.
- ▶ 19.30.010 Exercise of Economic Development Power
 - ▶ Nonarea-wide power.

KPB 5.12.116 - Economic development property exemption

KPB Code 5.12.116 allows, with assembly approval, for the partial exemption of borough property taxes in an amount up to fifty percent (50%) of the assessed value of the property for a designated time period up to five (5) years.

A municipality that is a school district may only exempt all or a portion of the amount of taxes that exceeds the amount levied on other property for the school district's required local contribution under AS 14.17.410(b)(2).

There are required conditions for this exemption spelled out in code and any applications must be approved by the assembly after public hearing.

Mandatory Exemptions:

Mandatory Exemptions are mandated by state statute and are required.

The 2021 Mandatory Exemptions were:

- ▶ Senior (Mandatory) Exemption (5,638)
- ▶ Government Exemption (4,802)
- ▶ ANCSA Native Exemption (1,847)
- ▶ Veteran Mandatory Exempt Value (390)
- ▶ Native Allotment (BIA) Exemption (262)
- ▶ Religious Exemption (222)
- ▶ University Exemption (190)
- ▶ Charitable Exemption (159)
- ▶ MH Trust Exemption (141)
- ▶ Electric Co-Op Exemption (113)
- ▶ State Education Exemption (52)
- ▶ Housing Authority Exemption (52)
- ▶ Cemetery Exemption (11)
- ▶ Armed Forces Agency Exemption (10)
- ▶ MCS Multi-Purpose Senior Center Exempt. (5)
- ▶ Hospital Exemption (4)

Total Mandatory Exempted Value \$9,719,603,127
Tax Revenue \$77 Million

Optional Exemptions:

Optional Exemptions are discretionary exemptions that KPB chooses to exempt and are added back into the full value determination in order to calculate school funding.

The 2021 Optional Exemptions were:

- ▶ Residential Exemption (10,865)
- ▶ Senior Resident Exemption (4,469)
- ▶ Personal Property \$100k Exempt (1,091)
- ▶ Disabled Vet Exemption (329)
- ▶ Disabled Resident Tax Credit (192)*
- ▶ Community Purpose Exempt (188)
- ▶ Volunteer FF/EMS Exemption (30)
- ▶ Habitat Protection Tax Credit (26)*
- ▶ River Rehab & Restore Exempt. (13)

Total Optional Exempted Value \$1,128,906,019

Tax Revenue \$10 Million

Exercise of economic development power

KPB Code 19.30.010 allows for the borough to exercise the power of economic development on a nonareawide basis.

- ▶ First adopted in 1997; in 1998, a committee was formed to develop criteria and guidelines for economic development expenditures
- ▶ Based on the committee recommendations KPB Chapter 19.30 was revamped in 1999 through enactment of O99-14.
- ▶ Strict procedure and criteria requirements.
- ▶ Project must: provide “economic development” -- be supported by a “bank-ready business plan” -- be in the area outside the cities -- the plan must demonstrate that within a reasonable time period the project will: (1) provide either a \$10m increase in borough property tax base or a minimum of 25 permanent FT jobs, and (2) either reduce imports or increase exports from the borough, and (3) not take market share from existing businesses within the borough. (See KPB 19.30.040).

Evaluation of Projects and Forms of Support under KPB 19.30

- ▶ Per 19.30.050 the mayor shall appoint, and assembly confirm, a standing committee of ten persons from the private sector with expertise to evaluate economic development projects.
- ▶ Forms of KPB Support: - KPB 19.30.060 -
 - ▶ Land
 - ▶ Tax Credits and/or the exemption under KPB 5.12.116
 - ▶ Other forms of direct support: provided that direct monetary contributions, either in the form of loans or grants, shall not be available per KPB 19.30.060(C).

Economic Development In the KPB moving forward

- **Tax Exemptions** – restricted by state law; KPB cannot enact exemptions not authorized by state law and all optional exemptions are added back in by the state for purposes of School funding
- **KPB Chapter 19.30:**
More options available under KPB 19.30 but there are still limits under the law – such as the public purpose doctrine & equal protection challenges – and thus incentives should be used prudently after thorough due diligence: What is the public benefit? What are the measurables? Are the eligibility standards objective & uniform?

