

CITY OF UNALASKA  
UNALASKA, ALASKA

ORDINANCE 2022-03

AN ORDINANCE OF THE UNALASKA CITY COUNCIL AMENDING CHAPTER 6.32, ASSESSMENT OF PROPERTY TAXES, TO PROVIDE A METHOD OF DETERMINING THE ASSESSED VALUE OF PROPERTY THAT QUALIFIES FOR LOW-INCOME HOUSING TAX CREDIT UNDER 26 USC 42; AND AMENDING CHAPTER 6.32.110 TO PROVIDE ADDITIONAL TIME FOR THE CITY COUNCIL TO CERTIFY THE TAX ROLL

BE IT ENACTED BY THE CITY COUNCIL OF THE CITY OF UNALASKA, as follows:

**Section 1: Classification.** This Ordinance is a Code Ordinance.

**Section 2:** The Unalaska Code of Ordinances is hereby amended by adding a new Section, numbered 6.32.015, to read as follows:

**§ 6.32.015 METHOD OF DETERMINING THE FULL AND TRUE VALUE OF PROPERTY THAT QUALIFIES FOR A LOW-INCOME HOUSING TAX CREDIT UNDER 26 USC 42**

- (A) In accordance with AS 29.45.110(d)(1), the full and true value of all property that first qualifies for low-income housing tax credit under 26 USC 42 before January 1, 2001, shall be based on the actual income derived from the property and may not be adjusted based on the amount of any federal income tax credit for the property.
- (B) Pursuant to AS 29.45.110(d)(2), the full and true value of all property within the City of Unalaska that first qualifies for a low-income housing credit under 26 USC 42 on or after January 1, 2001, shall be exempt from the requirement that the value be based on the actual income derived from the property. For property that first qualifies for a low-income housing credit under 26 USC 42 on or after January 1, 2001, the City Council shall determine, by parcel, whether the full and true value of the property shall be assessed as provided in §6.32.010 or on the basis of actual income derived from the property without adjustment based on the amount of any federal income tax credit given for the property. Once the manner of assessment of the property has been determined under this subsection, the manner of assessment of that parcel of property may not change if debt relating to the property incurred in conjunction with the property qualifying for the low-income housing tax credit remains outstanding.
- (C) To secure an assessment based upon the actual income derived from the property under this section, an owner of the property shall apply to the assessor no later than March 1 of each year in which the assessment is desired. The property owner shall submit an application on forms prescribed by the assessor and shall include information that may reasonably be required by the assessor to determine the entitlement of the

applicant to an assessment of the property under this section. Upon the first application received for a parcel and following the assessor's determination of eligibility, the council shall make the determination of the method for assessing full and true value, as described in subsection (B) of this section.

**Section 3:** Subsection (C) of Section 6.32.110 of the Unalaska Code of Ordinances is hereby amended to read as follows [deleted words are struck-through the new words are underlined]:

(C) The City Council shall certify the tax roll to the assessor within fourteen (14) ~~seven (7)~~ days of the Board of Equalization by resolution. Except as to supplementary assessments, the assessor shall enter the changes and certify the final assessment roll by June 1.

**Section 4: Effective Date.** This ordinance shall take effect upon adoption.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on February \_\_\_\_\_, 2022.

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Vincent M. Tutiakoff, Sr.  
Mayor

ATTEST:

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Marjie Veeder, CMC  
City Clerk

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## MEMORANDUM TO COUNCIL

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To: Mayor and City Council Members  
From: Marjie Veeder, City Clerk  
Through: Erin Reinders, City Manager  
Date: February 8, 2022  
Re: Ordinance 2022-03: Amending Chapter 6.32, Assessment of Property Taxes, to provide a method of determining the assessed value of property that qualifies for low-income housing tax credit under 26 USC 42; and Amending Chapter 6.32.110 to provide additional time for the City Council to certify the tax roll

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**SUMMARY:** Ordinance 2022-03 accomplishes two objectives: (1) to provide an alternate method, as allowed in state code, to assess low-income housing using an income approach rather than the full and true value approach; and (2) to extend by one week the time period for Council to certify the tax roll. The City Clerk recommends adoption.

**PREVIOUS COUNCIL ACTION:** Council has not previously taken action to provide an alternate method of valuation for low-income housing. The code section related to the time period for Council to certify the tax roll was last amended in 2003 when the entire section was rewritten.

**BACKGROUND:** Alaska Statute 29.45.110(a) states the assessor shall assess property at its full and true value as of January 1 of the assessment year.

In accordance with AS 29.45.110(d)(1), the full and true value of all property that first qualifies for low-income housing tax credit under 26 USC 42 before January 1, 2001, shall be based on the actual income derived from the property and may not be adjusted based on the amount of any federal income tax credit for the property. The Tradewinds Apartments in Unalaska fall into this category and the assessor has been using the income derived approach for valuation as required by state code.

Pursuant to AS 29.45.110(d)(2), for property qualifying after January 1, 2001, state code indicates that the governing body of the municipality shall determine by ordinance whether such qualifying property is exempt from the requirement to assess based on the income derived; and the governing body may determine, by parcel, whether the qualifying property shall be assessed based on the actual income derived from the property; and 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.

Because a new low-income apartment complex is presently under construction – Uniktali Apartments on E. Broadway – the city attorney advised of the need for council to formally adopt an ordinance exempting property qualifying after January 2, 2001 from the requirement of using the income approach; and allowing council to determine, on a parcel-by-parcel basis, whether assessment will be allowed using the income approach versus full and true value. Property owners will then make application requesting the income approach and council will make the determination once per parcel. If approved, the assessor will assess the property using the income-derived approach.

**DISCUSSION:**

**INCOME APPROACH OF ASSESSMENT  
FOR LOW-INCOME HOUSING**

The need for additional housing, as well as affordable housing, is well known in Unalaska. Glenn Gellert, who is involved with both the Tradewinds Apartments and the Uniktali Apartments, provided this information:

“Using the income approach for property valuation is vital for Low Income Housing Tax Credit (LIHTC) projects like the one that we are building in Unalaska, which is why the state has a specific statute that addresses LIHTC property tax valuation. Rents charged at this property are set by HUD and tied to area median income in Unalaska. The idea is to offer a housing option that middle income and low income tenants can afford. Our highest rents are set by HUD at 60% of area median income for Unalaska multiplied by 35% (the amount of tenant income that should go towards rent). A higher percentage than 35% would force tenants to be rent overburdened and unable to afford other things like food, child care, and transportation. Some of our rents are extremely low, catering to those making 30% of median income. Folks at this income level might be senior citizens on a fixed income. Without restricted rents like these, some people might not be able to stay in Unalaska, so the whole community could suffer. The rents stay restricted for a minimum of 20 years. The income restrictions are a recorded covenant that cannot be removed from the property for this period of time even if the property were to be sold. In addition, LIHTC properties are more expensive to run because there are considerable IRS and AHFC compliance issues and inspections that take place throughout a 15 year compliance period. The end result is that a property like this is worth around \$250,000 instead of its market value based on the sales approach which would be over \$2 million.”

The owners of the Uniktali complex currently under construction, are heavily relying on the City of Unalaska’s decision to assess the property based on the income derived. Losing this preferable tax treatment would negatively impact the viability of low-income housing in Unalaska. Also, using a like assessment method for all low-income housing units is equitable.

**EXTENDING BY ONE WEEK THE DEADLINE  
FOR COUNCIL TO CERTIFY THE TAX ROLL**

Notices advising property owners of the assessed value will be mailed on March 25; the deadline to appeal the assessed value is April 25; the Board of Equalization (BOE) hears property tax appeals the same night as the first Council meeting in May; and the tax roll is certified at the Council meeting which immediately follows the BOE, the same night. Certification is done the same night as the BOE because UCO 6.32.110 indicates that Council must certify the tax roll within seven days of the BOE. As we don’t normally have a Council meeting within that seven-day time period, certification happened at the Council meeting following the BOE. This requires the City Clerk to ask for a recess in order to update property values in the resolution, based on decisions made at the BOE hearing, in order to present accurate information to council the same evening for approval. The requested change to code will allow certification of the tax roll to take place at the second regular council meeting in May, within 14 days of the BOE. This time frame still allows for the operating budget to be adopted by council in a timely manner, and the Finance

Director and City Manager approve of this change. The requested change, from 7 days to 14 days, will improve the process for the City Clerk.

**ALTERNATIVES:** Council may choose to adopt the ordinance as written or modify it. Council may also choose to do nothing. Doing nothing would result in the new low-income housing unit and any future low-income housing units to be automatically assessed using the income derived approach, and the City would have no decision in the matter. The City Attorney advised that Council should adopt this ordinance, as it is required under state code.

As to the additional time for Council to certify the tax roll, we would continue with the status quo as explained in the discussion section, certifying the tax roll on the same evening as the BOE hearings.

**FINANCIAL IMPLICATIONS:** Assessment of property taxes using the income approach will result in reduced property tax revenue to the City of Unalaska as compared to assessing at full and true value.

The existing low-income housing unit, Tradewinds, is assessed using the income approach pursuant to state code. Formally adopting the income approach for low-income housing will not result in significant change to tax revenue related to Tradewinds.

For Uniktali, using the income approach will result in reduced property tax revenue to the City of Unalaska as compared to the full and true value approach. Using values supplied by Mr. Gellert above, the City can expect to receive \$2,625 in tax using the income approach, versus \$21,000 in revenue using the full and true value approach. The property will be assessed at full and true value for calendar year 2022, based on a percentage of completion of construction. Once construction is complete and the property is occupied, we anticipate the owner to make application for the income approach to assessed value.

There are no financial implications in allowing an additional week for Council to certify the tax roll.

**LEGAL:** City Attorney Charles Cacciola prepared Ordinance 2022-03, and is available for questions via telephone this evening.

**STAFF RECOMMENDATION:** The City Clerk recommends adoption of Ordinance 2022-03, as it is in keeping with past practices in relation to assessment of low-income housing and that section of the ordinance is required to be adopted pursuant to State code. As to the extra time for certification of the tax roll, the change will improve the process.

**PROPOSED MOTION:** I move to introduce Ordinance 2022-03, and schedule it for public hearing and second reading on February 22, 2022.

**CITY MANAGER COMMENTS:** I support Staff's recommendation, and thank the Clerk for her efforts with this ordinance.

**ATTACHMENTS:** None.