

City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, July 6, 2022, 6:00 pm

I. CALL TO ORDER

The meeting was called to order at 6:00 pm by Chair Triem.

II. ROLL CALL

Committee Members Present: Carole Triem, Chair; Mayor Beth Weldon; Christine Woll; Michelle Bonnet-Hale; Wade Bryson

Committee Members Present Virtually: Wáahlaal Gíidaak

Committee Members Absent: Maria Gladziszewski; Alicia Hughes-Skandijs; Greg Smith

Staff Members Present: Rorie Watt, City Manager; Robert Barr, Deputy City Manager; Robert Palmer, City Attorney; Jeff Rogers, Finance Director; Adrien Speegle, Budget Analyst; Scott Ciambor, Planning Manager

Others Present: None.

III. APPROVAL OF MINUTES

The June 1, 2022 minutes were approved as presented.

IV. AGENDA TOPICS

a. Housing Tax Abatement

Scott Ciambor, City Planning Manager, directed the Committee to the memo on packet page 8. Mr. Ciambor summarized CBJ's current tax abatement programs. He noted that there is currently a tax abatement program for subdivisions, a downtown tax abatement that was started last May and has been unutilized to date, and a senior assisted living tax abatement program. Mr. Ciambor stated that to address affordable and workforce housing shortages, the Assembly may consider extending the tax abatement program to include eligibility of housing development over four units within the entire urban service area. Mr. Ciambor recommended adding a sunset date of ten years to this concept to address forgone tax concerns while still encouraging housing development in the short-term.

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Mr. Ciambor responded to Committee questions relating to eligibility of current community projects underway if the Assembly adopted the expansion of the tax abatement program.

Assemblymember Hale pointed out that the City doesn't collect any property tax on housing units that haven't yet been built.

Rorie Watt, City Manager, stated that he believes it is unlikely that CBJ will receive an overwhelming market response to the tax abatement expansion, since there is currently only one project eligible for the senior assisted living tax abatement and no projects have applied for the downtown tax abatement yet. He noted that the intent with the expansion of the tax abatement program borough wide is to nudge projects that are at the edge of reality into reality.

Assemblymember Bryson asked what concerns Mr. Ciambor has heard the most from developers that is preventing them from building housing in Juneau. Mr. Ciambor explained that concerns are dependent on the type of project and size of the developer, but that inevitably developers are asking what CBJ has to offer to incentivize project development. In terms of housing development borough-wide, CBJ currently does not have any incentives for those types of projects.

Wáahlaal Gíidaak requested data relating to program utilization for affordable housing projects versus high income housing projects, as well as how much tax has already been forgone by the City for current eligible projects underway or already completed under the tax abatement program. Wáahlaal Gíidaak asked whether the four-unit eligibility requirement was referring to affordable housing or luxury condominiums, and whether there's a distinction for who gets to access the tax abatement.

Mr. Ciambor provided information relating to the amount of tax abated for the 2021 program. He noted that the expanded tax abatement program would be broad and cover any project that meets the four-unit requirement.

Mayor Weldon asked whether the City is still requiring developers to pay the 2.65 mill educational component under the tax abatement program.

Mr. Watt stated that the idea is to expand the eligibility of the program in the existing ordinance, which abates property tax not including the mandatory minimum school contribution of 2.65 mills.

Mr. Ciambor answered questions from Chair Triem relating to how tax abatement helps in the financing structure of development.

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Motion: by Mayor Weldon to direct staff to draft an ordinance to extend the current tax abatement ordinance to include eligibility of housing development over four units within the entire urban service area; the project must be at least 75% of eligible density and the ordinance must include a sunset date of ten years, and have the ordinance come back to the Finance Committee for consideration.

Objection: by Assemblymember Hale for the purposes of a question, clarifying that the sunset date would not prohibit participants from receiving the tax abatement for the full eligible period even if applied for in year nine.

Motion passed by unanimous consent.

b. Affordable Housing Fund Update, FY22 Program

Mr. Ciambor summarized the memo on packet page 10. The Affordable Housing Fund is projected to have a \$6.1 million fund balance at the end of FY22, primarily as the result of the Assembly's \$5 million general funds contribution. Mr. Ciambor noted that \$4.15 million has also been included on the 1% temporary sales tax list for the Affordable Housing Fund, if the tax extension is approved by the voters in October. Mr. Ciambor summarized the review committee's recommended changes at the bottom of packet page 10.

Mr. Ciambor answered Committee questions relating to rehabilitation projects. Mr. Ciambor noted that the Housing Action Plan includes a strategy to create a health and safety rehabilitation loan program, specifically for downtown. This strategy has been conceptualized and discussed at committee levels but has not yet come to fruition.

The Committee discussed program funding levels for FY23.

Motion: by Mayor Weldon to direct staff to advertise \$1.5 million as available for round 2 competition in FY23 using the criteria addressed in the memo.

Objection: by Assemblymember Hale for the purposes of a question, stating that the Assembly may decide to fund more projects than the \$1.5 million amount, and whether that amount may send the wrong message to applicants.

Mr. Ciambor stated that since significant funding is available for projects, the Assembly may want to leave the advertisement amount open-ended.

Mayor Weldon noted that she chose the \$1.5 million amount, knowing the Assembly may choose to increase this amount if more eligible projects are

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submitted, however she wants to limit the awards to projects that are ready now, not projects that are a few years out from being ready.

Amendment: by Mayor Weldon to increase the advertised available funding for round 2 to \$2 million.

Motion passed by unanimous consent.

Mr. Ciambor redirected the Assembly to the memo on packet page 8, stating that another option to incentivize project development is public-private partnerships. The memo on packet page 8 summarizes how CBJ uses the sealed competitive process to attract developers, and lists potential priority projects that could be considered for this approach.

Mr. Ciambor clarified that the sealed competitive process allows CBJ to dictate terms of an engagement by specifying the type of project they'd like built and have developers make project proposals based on those conditions.

Mr. Ciambor answered Committee questions relating to the potential priority projects that could be considered for a sealed competitive process.

Mr. Watt noted that the Assembly will have an opportunity to weigh in if staff decide to invite proposals for the priority projects listed on packet page 8.

The Committee recessed at 6:57 pm.

The Committee reconvened at 7:07 pm.

c. Gastineau Lodges Pre-Development Loan – Verbal Update

Mr. Watt stated that during last year's fund solicitation, a proposal was received for a pre-development loan for Gastineau Lodges. The review committee recommended that the loan could be supported if it was collateralized. Since this time, more information has been provided by the developer but the review committee is not ready to make a recommendation, but hopes to have one soon. Mr. Watt noted that the nature of a predevelopment loan is more risky for CBJ. Generally, CBJ is looking at leveraging projects that are more shovel ready.

In response to a question from Assemblymember Hale, Mr. Watt noted that the project would be located on Gastineau Avenue above downtown and contain 72 housing units.

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d. Short Term Rental Registration Ordinance 2022-32

Chair Triem noted that the Assembly requested Ordinance 2022-32 be drafted, and opened the Committee up to questions.

Mayor Weldon directed the Committee to packet page 13, section (b), line 9. She asked whether the “for rent for fewer than 30 consecutive days” gets rid of all the month-to-month rentals that we would not really consider short-term rentals. Mr. Ciambor confirmed her understanding is correct, and that this definition aligns with the definition of short-term rentals in the tax abatement ordinance.

Assemblymember Woll noted that last time this topic was discussed, there was a recommendation to hire a consultant charged with monitoring and tracking short-term rental information, and the Assembly indicated they were ready to move forward with appropriating funds for this purpose. Assemblymember Woll asked for clarity in what the consultant could provide versus requiring registration of short-term rentals.

Mr. Rogers stated that the third party services are mainly reconnaissance. The consultant would perform online research looking for rentals, trying to see how often those rentals are rented, approximate rates for those rentals, and try to align properties with parcels and owners of the rentals. Mr. Rogers acknowledged that it is possible we get to the same information through both the consultant and registration program, however with any government registration program, the program is the groundwork for the Assembly to choose whether or not to regulate short-term rentals. Alternatively, if the Assembly or a future Assembly chose to regulate short-term rentals, a registration program would be required.

Chair Triem requested whether language could be added to the definition of short-term rental that provides a minimum number of cumulative days per year that would define rentals as short-term. If a property owner rents out a unit for only a few days a year, those should not fall under the short-term rental definition. Chair Triem noted that Robert Palmer, City Attorney, stated that those rentals are technically still susceptible to sales and hotel bed tax. However, she would like to request that informal and casual rentals be exempted from the definition of short-term rental.

Mr. Rogers stated that there is a section in the Sales Tax Code for casual and isolated sales, however the Hotel Bed Tax Code does not have a similar provision. As the code is currently written, application of hotel bed tax to any short-term rental is required, no matter the length of the rental. If properties are rented in the absence of using an advertising platform like Airbnb, the City has no way of knowing when those sales take place. Mr. Rogers noted that he could work with

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Mr. Palmer to create another exemption in the Hotel Bed Tax Code for casual and isolated sales, if that is the Assembly's direction.

Mr. Watt cautioned the Committee about creating another exemption in the tax code, noting that exemptions are hard to manage and require significant staff work.

Mayor Weldon requested a definition of "unit" from packet page 14, lines 10 and 11. She asked Mr. Palmer to provide clarification whether the unit was the whole facility or just one part of the facility.

Chair Triem noted that she is most interested in collecting data about which type of dwelling unit is being used for short-term rentals. If a third party consultant is unable to collect this information, she is interested in pursuing the registration program.

Assemblymember Bryson concluded that he would work with Legal to include exemption language for the casual and isolated short-term rental sales, and bring it back to the Assembly for consideration.

e. Info Only: Permitting Fees Memorandum

Mr. Watt presented the memo on packet page 17, detailing three examples of permitting fees for accessory apartments.

The Committee discussed the examples. Mr. Watt clarified that building permit costs are based on how much value the project adds to the property.

Assemblymember Bryson asked how much the Community Development Department collects in fees versus how much the department is supported by general funds. Mr. Watt replied that 83% of the Community Development Department's funding is general funds.

Mr. Ciambor clarified that the accessory apartment grant of \$6,000 is a small portion of the total project cost, estimated between \$40,000 and \$60,000 to create an accessory apartment.

V. NEXT MEETING DATE

a. August 3, 2022

VI. ADJOURNMENT

The meeting was adjourned at 7:36 pm.