

Developer Seeks Tax Break On Elmendorf Project

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Anchorage officials are negotiating a deal that could save a local development company millions of dollars in property taxes on a private housing project it built and manages on Elmendorf Air Force Base.

JL Properties objected to the 2004 tax bill on its \$110 million Elmendorf project, the first private military housing arrangement of its kind in Alaska.

The company pushed a measure through the Alaska Legislature in the closing days of this year's session allowing a special tax exemption to reduce future payments to the city.

Gov. Frank Murkowski has not yet signed it into law. A former state legislator is threatening a lawsuit if he does, saying the measure is special interest legislation.

City officials and JL Properties are considering a deal that would enable the company to pay hundreds of thousands of dollars less each year than it would have had to pay under this year's tax bill. The deal could save the company millions of dollars in taxes over the next 50 years.

Company president Leonard Hyde said that without a tax break it can't move forward on the second, larger phase of residential development on the base. Anchorage Mayor Mark Begich supports the deal.

In 2001, the Air Force awarded a contract to Aurora Military Housing - made up of JL Properties and Hunt Building Corp. of San Antonio, Texas - - to renovate, build and manage base housing at Elmendorf.

The Department of Defense has awarded 30 such private housing contracts at bases across the country, allowed under the Private Sector Housing Initiative approved by Congress in 1996.

The first phase on Elmendorf is a complex with 828 new and renovated multifamily buildings and duplexes near the base's Boniface Parkway entrance.

Earlier this year, negotiations were under way between the company and Elmendorf for a second, larger phase, to build or renovate 1,194 more units. Then the company learned that its city tax assessment on Phase 1 had nearly tripled. Assessments, based on the estimated value of property, determine the amount of taxes owed.

In 2003, the city had assessed the first phase of the project at \$15 million. That shot up to \$44.5 million with this year's assessment. The result is a tax bill that went from \$250,000 to \$720,000 in a single year. The city assessor said the difference is based on new information he obtained about the property and what it is worth.

Hyde said the jump in taxes project participants think twice about moving forward with Phase 2, estimated to cost \$232 million.

"We needed certainty," Hyde said. "If we got these kind of increases continually, we couldn't do it."

The company began pushing a measure in the Legislature to change the way the property is taxed. The bill requires the city and developer to negotiate an annual payment in lieu of taxes.

While the measure is waiting for the governor's signature, the city is reconsidering JL Properties' \$720,000 tax bill for 2004. The assessor said it could be reduced by as much as half. The arguments used to lower the tax bill are much the same as the points being considered to figure out a long-term payment in lieu of taxes.

Ray Metcalfe, a commercial real estate broker, former state representative and chairman of the Republican Moderate Party, said the bill is inherently unfair. He said if the governor signs it, he will sue the state to stop the exemption. He called it unconstitutional special legislation for a specific project that will pass costs to other taxpayers.