POSITION PAPER | LEGISLATIVE AFFAIRS COMMITTEE

AO 2026-93: Tax Incentives for Mixed Use Multi Unit Housing

Proposed Anchorage Municipal Code Chapter 12.100

Ordinance	AO 2026-93, enacting AMC Chapter 12.100, Tax Incentives for Mixed Use Multi Unit Housing
Sponsor	Chair of the Assembly at the request of Mayor Suzanne LaFrance; prepared by the Department of Law
Public hearing	Regular Assembly Meeting, Tuesday, September 15, 2026
Text reviewed	AO 2026-93 as introduced June 23, 2026, with AM No. 415-2026. See the version note below.
LAC priority tier	Tier 2: property tax and assessment (analysis and position development)
Recommended position	Support, with amendments
Status	Draft for Board approval. Not an adopted AMBA position until approved by the Board and signed by the President.

1. Recommended Position

The Alaska Mortgage Bankers Association supports AO 2026-93 and asks the Assembly to amend it so the units it produces can be financed by the buyers it is meant to serve.

The ordinance's value rests on condominium units above commercial space being sold to owner-occupants. Most of those buyers will need a conventional or government-insured mortgage, and those mortgages are available only in projects that pass condominium project review. Mixed use is where project review most often fails.

Four amendments are essential: put the condominium requirement in the text and tell developers at provisional approval what financing eligibility requires; make the exemption verifiable before closing; state how the exemption attaches to each unit; and keep any recapture from placing a lien ahead of a recorded mortgage.

2. What the Ordinance Does

AO 2026-93 creates a ten-year property tax exemption on the residential portion of new or rehabilitated mixed commercial-residential buildings, covering the municipal and school district shares allowed by state law.[1]

[1] Municipality of Anchorage, AO No. 2026-93 (for reading June 23, 2026), "Enacting Anchorage Municipal Code Chapter 12.100, Tax Incentives for Mixed Use Multi Unit Housing," with AM No. 415-2026 and Summary of Economic Effects, https://www.muni.org/Departments/Assembly/SiteAssets/Pages/Meetings-Worksessions/AO%202026-93.pdf.

Provision	AO 2026-93 as introduced
Eligible projects	New or rehabilitated mixed commercial-residential buildings adding at least four new residential units and increasing the total number of units on the property (§12.100.010)
Eligible units	Sold at or below the most recent annual average assessed value of a single-family home ($496,746 in 2026); owned and occupied as the buyer's primary residence (§12.100.015B)
Exempt amount	Taxes on the new or rehabilitated residential units only, calculated by the ratio of eligible residential square footage to total square footage; commercial space and preexisting units remain taxable (§12.100.040B)
Duration	Ten consecutive years beginning January 1 of the first full calendar year after final approval (§12.100.045)
Transfer	Runs with the land and transfers "in whole only" to another owner; no proration (§12.100.050B)
Penalty	Violations of §12.100.015B may be penalized under AMC 1.60, including three times the exemption (§12.100.015C)
Sunset	Applications accepted until 5:00 p.m., August 31, 2031 (§12.100.020D)
Condominium form	Not required by the text. The fiscal note anticipates that the property will be declared as condominium units as a condition of final approval.

The Administration explains that the existing multifamily incentive in AMC 12.60 can apply to mixed-use projects but does not allow owner-occupied units, and that Chapter 12.100 is intended for owner-occupied units such as condominiums above commercial office space.[2]

3. Background and Context

The Administration describes many Anchorage commercial buildings as built in the 1970s and 1980s, in need of rehabilitation, and carrying high vacancy rates, and presents the ordinance as a way to close the feasibility gap on converting them to housing.[3] Its July 17 worksession presentation notes that residential conversions are expensive and lists easier sale or pre-sale of units, especially condominiums, as the first way a tax break helps housing get built.[4]

The Mayor's policy director explained the mechanism in public reporting: condominium developers typically must pre-sell a share of planned units to obtain construction financing, and an exemption that goes to the eventual owner makes pre-sales easier.[5] AMBA agrees with that description of how condominium construction is financed. It adds one point the Administration has not addressed: a

[2] *Id.*

[3] *Id.*

[4] N. Klouda, Policy Director, Office of the Mayor, "Property Tax Incentives for Housing: AO 2026-89 and AO 2026-93," Anchorage Assembly worksession presentation, July 17, 2026, https://www.muni.org/Departments/Assembly/SiteAssets/Pages/Meetings-Worksessions/Proposed%20AOs%20Housing%20Worksession%20Presentation%2007172026.pdf.

[5] B. Biondini, "Anchorage Mayor LaFrance proposes new housing development tax breaks," Anchorage Daily News, June 17, 2026, https://www.adn.com/alaska-news/anchorage/2026/06/17/anchorage-mayor-lafrance-proposes-new-housing-development-tax-breaks/.

pre-sale contract has value to the construction lender only if the buyer can obtain a mortgage on the unit when the building is finished.

4. Industry Impact Analysis

Finding 1. The units must pass condominium project review, and the commercial share decides eligibility.

Fannie Mae treats a condominium project as ineligible when more than 35 percent of the project, or of the building in which the project is located, is commercial space or allocated to mixed use, and requires lenders to count commercial space even when residential and commercial owners are organized in separate associations.[6] Freddie Mac applies the same 35 percent limit to the total above- and below-grade square footage of the project or its building.[7] Review requirements scale with project size. Fannie Mae waives project review for certain small projects, including some five- to ten-unit projects that are not part of a larger development,[8] and applies additional requirements to new and newly converted projects with more than four residential units.[9] FHA project approval and AHFC condominium requirements are separate reviews with their own standards.

Illustration: commercial share of a converted building	Total sq. ft.	Commercial sq. ft.	Commercial share
Four stories; ground-floor retail; three residential floors	40,000	10,000	25% (within the limit)
Two stories; ground-floor retail; one residential floor	20,000	10,000	50% (ineligible)
Three stories; two floors of office retained; one floor converted to four or more units	30,000	20,000	67% (ineligible)

The ordinance's focus on underused office buildings points toward the projects most likely to test the limit: larger partial conversions that keep much of a building in commercial use and are reviewed in full. A unit in an ineligible project generally requires a portfolio or non-QM loan, which typically carries a higher rate and a larger down payment. That works against the price cap, and it undercuts the pre-sale mechanism the Administration describes.

Amendment A. Require the condominium declaration in the text, under AS 34.08, rather than leaving it to the fiscal note. Require the Assessor's provisional-approval materials to tell applicants that agency and FHA eligibility depends on the commercial share of the building and on presale levels, and to encourage applicants to confirm the buyers' financing path before design is final. Keep

6 Fannie Mae Single-Family Selling Guide B4-2.1-03, Ineligible Projects (08/05/2026), https://selling-guide.fanniemae.com/sel/b4-2.1-03/ineligible-projects.

7 Freddie Mac Single-Family Seller/Servicer Guide § 5701.3, Ineligible Condominium Projects, https://guide.freddiemac.com/app/servicing/section/5701.3.

8 Fannie Mae Single-Family Selling Guide B4-2.1-01, General Information on Project Standards (08/05/2026), and B4-2.1-02, Waiver of Project Review (08/05/2026), https://selling-guide.fanniemae.com/sel/b4-2.1-01/general-information-project-standards.

9 Fannie Mae Single-Family Selling Guide B4-2.2-03, Full Review: Additional Eligibility Requirements for Units in New and Newly Converted Condo Projects (08/05/2026) (applicable to projects containing more than four residential units), https://selling-guide.fanniemae.com/sel/b4-2.2-03/full-review-additional-eligibility-requirements-units-new-and-newly-converted-condo-projects.

agency thresholds out of municipal code; they change, and code would fall behind. AMBA can supply a developer checklist.

Finding 2. As drafted, the buyer's lender is unlikely to be able to count the exemption at closing.

Fannie Mae permits a lender to qualify a borrower at a reduced tax amount when a tax abatement on the subject property will last at least five years from the note date, but not when relief has only been sought and not approved.[10] Under AO 2026-93, final approval follows completion, the increase in units, and evidence of the sale price, and the exemption begins January 1 of the first full calendar year after final approval.[11] On the note date for the first unit sales, the only approval in existence is a provisional approval issued to the developer. The pre-sale benefit the Administration describes depends on a buyer's lender being able to treat the exemption as in effect.

Amendment B. Direct the Assessor to issue a unit-level eligibility determination before each closing, stating the exempt amount, start date, and termination conditions, and begin the exemption January 1 following that unit's closing.

Finding 3. "Transfer, in whole only" does not fit a condominium.

The exemption is approved for a project, but each unit becomes a separate parcel when the declaration is recorded and units are sold. The ordinance calculates the exemption for the property as a whole and allows it to transfer only "in whole."[12] A buyer's lender, the title company, and the Assessor need to know how much of the exemption belongs to each unit, and what happens to one unit's share when that unit is resold.

Amendment C. State that the exemption attaches to each unit at that unit's first sale, is calculated per unit using the unit's share of eligible residential square footage, and then follows a stated transfer rule. Harmonize that rule with AO 2026-89(S), which transfers its exemption only once.

Finding 4. Recapture could place a lien ahead of the first mortgage.

The ordinance allows penalties of up to three times the exemption for violations of §12.100.015B, which include the price cap and owner occupancy, without saying who pays or whether the amount attaches to the property.[13] Property taxes with penalty and interest are a lien prior and paramount to all other liens under Alaska law;[14] whether a recapture would be treated as a property-tax obligation with that priority is a legal question, since tax liens arise only through specific legislative authorization.[15] Fannie Mae will not purchase loans on properties subject to municipal obligations that take priority over the first mortgage.[16] In a condominium, the risk extends beyond the unit at fault if the recapture is assessed against the project rather than the unit.

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[10] Fannie Mae Single-Family Selling Guide B3-6-03, Monthly Housing Expense for the Subject Property (12/16/2020), "Calculating Monthly Real Estate Tax Payment," https://selling-guide.fanniemae.com/sel/b3-6-03/monthly-housing-expense-subject-property.

[11] AO 2026-93 and AM 415-2026, supra note 1.

[12] *Id.*

[13] *Id.*

[14] AS 29.45.300(b), as published in the 2011 Alaska Statutes, https://law.justia.com/codes/alaska/2011/title29/chapter29-45/sec-29-45-300/. Current text should be confirmed before filing.

[15] Memorandum Decision, Case No. 09-00623 (Bankr. D. Alaska Jan. 10, 2012) (discussing municipal tax liens and stating that tax liens arise only through specific legislative authorization), https://www.akb.uscourts.gov/sites/akb/files/01-10-12%2009-00623.pdf.

[16] Fannie Mae Single-Family Selling Guide B5-3.4-01, Property Assessed Clean Energy Loans (10/08/2025), https://selling-guide.fanniemae.com/sel/b5-3.4-01/property-assessed-clean-energy-loans.

If the memorandum's described AMC 12.35 amendment is part of this ordinance, it raises a related question. State law makes the amount of a deteriorated-property tax deferral a lien on the property for each year deferred.[17] A provision moving deteriorated-property relief onto owner-occupied units must say whether it covers exemptions only or deferrals as well.

Amendment D. Limit recapture to the taxes exempted on the affected unit, plus interest, assessed against the person who made the false certification. Reserve the treble penalty for knowing fraud. Provide that no recapture has priority over a recorded mortgage or falls on a good-faith purchaser or mortgagee.

Finding 5. The price cap floats, and "sale price" is undefined for condominium units.

The cap is the "most recent" annual average at an unstated point in time, and a conversion project may take several years from provisional approval to the last unit sale.[18] The ordinance also does not say how a unit's price is measured when it is sold with a deeded parking space or storage unit, or how seller-paid closing costs and upgrades are treated.

Amendment E. Lock the cap figure at provisional approval for all units in the project. Define sale price as the contract sales price on the Closing Disclosure, including any deeded parking or storage conveyed with the unit, and state the treatment of concessions and upgrades.

Finding 6. Reporting and disclosure fall on individual unit owners without notice or cure.

The exemption terminates automatically after three consecutive missed annual reports, and the report may call for detailed financial records on the design, construction, and operation of the units.[19] Nothing requires the exemption to be recorded or disclosed to buyers. In a condominium, those obligations fall on individual owners who did not build the project.

Amendment F. Use a one-page owner certification, require written notice and a 60-day cure before termination, record a notice of exemption against each unit, and provide a one-page buyer disclosure before the purchase agreement is signed. Allow the association to file a single certification on behalf of all units if the Assembly prefers. Display each unit's exemption status, annual exempt amount, start date, expiration date, and transferability in the Municipality's public parcel record,[20] which appraisers use to identify a property's legal attributes[21] and where a later buyer's lender will look. This matters more in a condominium than in a single-family setting, because unit-level amounts calculated by square footage will differ from one another within the same project.

5. Recommended Amendments

	Section	Amendment	Priority
A	12.100.010, .030, .040	Condominium declaration under AS 34.08 required in text; financing-eligibility notice to applicants at provisional approval	Essential

[17] AS 29.45.050(o) (2025), as compiled at https://law.justia.com/codes/alaska/title-29/chapter-45/article-1/section-29-45-050/ (unofficial compilation).

[18] AO 2026-93 and AM 415-2026, supra note 1.

[19] *Id.*

[20] Municipality of Anchorage, Property Appraisal Division, Property Information Search, https://www.muni.org/pages/propertyinformation.aspx (parcel-level assessed value, exemption, classification, and tax information).

[21] Appraisal Standards Board, Uniform Standards of Professional Appraisal Practice, Standards Rule 1-2(e) (identification of the characteristics of the property relevant to the assignment, including its legal attributes).

	Section	Amendment	Priority
B	12.100.030 to .045	Unit-level eligibility determination before each closing; exemption begins January 1 following that unit's closing	Essential
C	12.100.040B, .050B	Exemption attaches and is calculated per unit; stated transfer rule harmonized with AO 2026-89(S)	Essential
D	12.100.015C	Recapture limited to the affected unit, against the certifying party; no priority over a recorded mortgage; no recapture from good-faith successors	Essential
E	12.100.015B.1.b	Cap locked at provisional approval; sale price defined, including deeded parking and storage	Recommended
F	12.100.050A, .070A; new	One-page owner or association certification; notice and 60-day cure; recorded notice; unit-level exemption status, amount, start date, expiration date, and transferability displayed in the public parcel record; buyer disclosure	Recommended
G	Record	Confirm whether an AO 2026-93(S) exists and whether it includes the AMC 12.35 amendment described in the AO 2026-89(S) memorandum	Before vote

6. Questions for Assembly Counsel

1. **Scope of "economic development property."** The current compiled text of AS 29.45.050(m) permits exemptions "for a designated period" and no longer contains the former definition of the term, which keyed eligibility to use in a trade or business.[22,23] Counsel should identify the operative definition, if any, and confirm on the record that owner-occupied condominium units fall within it.
2. **AMC 12.35.** Whether the deteriorated-property transfer described in the AO 2026-89(S) memorandum is part of this ordinance, and whether it reaches deferrals.
3. **Lien status of penalties.** Whether an AMC 1.60 penalty for a violation of §12.100.015B is collectible as a property tax lien.

[22] AS 29.45.050(m) (2025), as compiled at https://law.justia.com/codes/alaska/title-29/chapter-45/article-1/section-29-45-050/ (unofficial compilation). The elected service area board objection procedure derives from 2024 legislation; see HCS CSSB 77(FIN), 33rd Legislature, https://www.akleg.gov/basis/Bill/Text/33?Hsid=SB0077E.

[23] AS 29.45.050(m) as it read through 2016, including its former definition of "economic development property," https://law.onecle.com/alaska/title-29/29.45.050.html. This definition does not appear in the 2025 compilation.

Appendix A. Statement for the Record

To: Anchorage Assembly, assembly@anchorageak.gov

Re: AO 2026-93, Tax Incentives for Mixed Use Multi Unit Housing

Date: September 15, 2026

Chair Brawley and members of the Assembly:

The Alaska Mortgage Bankers Association supports AO 2026-93 and asks for amendments so the condominium units it is meant to produce can be financed by the owner-occupants it is meant to serve.

Most buyers of these units will need a conventional or government-insured mortgage, and those loans are available only in projects that pass condominium project review. Fannie Mae and Freddie Mac treat a project as ineligible when more than 35 percent of the project or its building is commercial space. Partial conversions of office buildings, which this ordinance is designed to encourage, can exceed that limit from the outset. Developers should learn this at provisional approval, before a building is designed, and the condominium requirement the fiscal note already assumes should be written into the ordinance.

We also ask the Assembly to issue a unit-level eligibility determination before each closing so the buyer's lender can count the exemption; to state how the exemption attaches to each unit, since a condominium cannot transfer an exemption "in whole"; to keep any recapture off the mortgage and off innocent later owners; and to lock the price cap for the life of the project and define sale price, including deeded parking and storage. We also ask that each unit's exemption status, annual amount, start date, expiration date, and transferability be shown in the Municipality's public parcel record. Unit-level amounts will differ within a project, and appraisers and lenders need to be able to find them.

Finally, the Assembly Memorandum for the companion ordinance describes an amendment to AMC 12.35 that may be intended for this ordinance. We ask that the record confirm which version is before the Assembly.

Benjamin Reynolds, President, Alaska Mortgage Bankers Association