

DRAFT
City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, August 3, 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; Alicia Hughes-Skandijs; Greg Smith

Committee Members Present Virtually: None.

Committee Members Absent: Maria Gladziszewski; Wáahlaal Gíidaak

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

Others Present: George Schaaf, Parks and Recreation Director

III. APPROVAL OF MINUTES

The July 6, 2022 minutes were approved as presented.

Chair Triem noted that agenda topic (c) Repeal of Non-Profit Sales Tax Exemption (Ord. 2022-16) will be pulled from this agenda for consideration at a future meeting.

IV. AGENDA TOPICS

a. Expansion of Tax Abatement for New Housing

Rorie Watt, City Manager, presented the memo on packet page 8 relating to expanding tax abatement for new housing development. The memo recommends that in order to receive a tax abatement, the Assembly require multiple units be built on a single lot and that the development remain in common ownership instead of individual ownership.

Mr. Watt and Robert Palmer, City Attorney, responded to Committee questions relating to how the tax abatement requirements fit into CBJ's current zoning.

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In response to Chair Triem's question, Mr. Palmer stated that the Assembly could choose to amend the tax abatement requirements in the future, if they wished to expand the program.

In response to Assemblymember Bryson's question, Mr. Palmer clarified that CBJ's code does currently include an incentive that exempts developers from paying taxes on property in a subdivision until the property is developed, and that there may be some overlap with this existing incentive and the new tax abatement incentive under consideration.

Mr. Watt and Mr. Palmer responded to Committee questions relating to how various development scenarios may qualify for the tax abatement.

Motion: by Mayor Weldon to amend the draft ordinance to require that multiple units be built on a single lot in order to receive the tax abatement and asked for unanimous consent.

Motion passed by unanimous consent.

Motion: by Mayor Weldon to amend the draft ordinance to state that tax abatement will be available on development that remains in common ownership and asked for unanimous consent.

Motion passed by unanimous consent.

Mr. Palmer clarified that the draft ordinance prohibits short-term rentals from being eligible for the tax abatement.

b. Veteran Organizations Sales Tax Exemption (Ord. 2022-36)

Jeff Rogers, Finance Director, stated that veteran organizations are considered to be non-profit organizations by the Internal Revenue Service, however they're classified as 501(c)(19) organizations instead of 501(c)(3) or 501(c)(4). CBJ's sales tax code only includes sales tax exemptions for 501(c)(3) and 501(c)(4) non-profit organizations, and therefore excludes veteran organizations from tax exemption. The American Legion Post #25 has requested that CBJ's code be corrected to include 501(c)(19) non-profit organizations as tax exempt. Mr. Rogers stated that he endorses the correction, as it is sensible to treat 501(c)(19) veteran organizations the same as other non-profits. The potential revenue impact to the City is de minimis.

Chair Triem asked whether there were any other non-profit organizations not currently included in CBJ's sales tax exemption. Mr. Rogers stated that there are, but to his knowledge none that exist in Juneau that fall outside the 501(c)(3),

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501(c)(4), or 501(c)(19) classification for which tax exemption is reasonable and/or requested.

Motion: by Mayor Weldon to move Ordinance 2022-36 to the full Assembly and asked for unanimous consent.

Motion passed by unanimous consent.

c. Repeal of Non-Profit Sales Tax Exemption (Ord. 2022-16)

This agenda topic was pulled by Chair Triem for consideration at a future meeting.

d. Field House Staffing

Mr. Watt stated that when CBJ assumed management of the Dimond Park Field House last winter, staff informed the Assembly that there would be increased costs associated with management of the facility. An additional field house staffing position was requested during the budget process and denied. Mr. Watt stated that due to vacancies in Parks and Recreation's current fiscal year budget, there is available budget authority to hire for the field house position.

Assemblymember Bryson asked whether it is necessary for the field house to stay open fourteen hours, seven days a week.

George Schaaf, Parks and Recreation Director, stated that the field house has 20 core user groups. It is necessary for the field house to offer long open hours to accommodate the demand, as not all user groups can use the field house at the same time. Mr. Schaaf noted that the only time during the year they see a decrease in usage is during the summer, at which time facility hours are reduced accordingly.

In response to Assemblymember Bryson's question, Mr. Schaaf stated that he estimates the field house's cost recovery to be between 30%-50%.

In response to Mayor Weldon's question regarding rates, Mr. Schaaf stated that as a commitment to user groups, the fee structure has been kept the same through the transitional period, however starting in the current fiscal year the field house is starting to charge for storage. As facility operations normalize post-pandemic, the department will have a better idea what cost recovery levels are and whether the fee structure needs to be changed.

Motion: by Mayor Weldon that the Committee consent to a full-time employee for the Dimond Park Field House.

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Motion passed by unanimous consent.

e. Restricted Budget Reserve Update

Mr. Rogers directed the Committee to packet page 18. Mr. Rogers stated that Resolution 2629, adopted in 2012, established guidelines for the amount, use, and replenishment of the City's budget reserve. The resolution's guidelines follow the Government Finance Officer Association's recommendation to reserve not less than two months (16.7%) of CBJ's annual operating revenues. Based on these guidelines, the table on packet page 18 calculates the recommended amount to replenish the reserve, approximately \$5 million. Mr. Rogers clarified that this amount is likely to go up over time as the City's revenues increase.

In response to Assemblymember Hale's question, Mr. Rogers stated that the interest earned on the balance in the Restricted Budget Reserve is deposited into the general fund.

Assemblymember Smith asked why the reserve balance is based on operating revenues and not expenditures. Mr. Rogers stated that in addition to this recommendation being the industry's best practice, most municipalities have durable revenue streams, such as property tax, which one could argue are more consistent than expenditures. In the long term, most municipalities' revenues will align with their expenditures.

Mr. Rogers stated that the Assembly could contribute to the reserve through supplemental appropriation or build contributions into the manager's proposed budget.

f. Gastineau Lodges Affordable Housing Fund Loan Proposal

Mr. Watt presented the memo on packet page 19, summarizing Gastineau Lodges' request for pre-development loan funds and the risk financing the project could pose to the City. He stated that if the Assembly is comfortable with the risk of a pre-development loan, they could direct staff to draft an ordinance appropriating funds for that purpose.

Mr. Watt stated that the first \$350,000 of the \$700,000 loan would be collateralized by the property, and a lien would be put on building materials. Once the developer completes grading, drainage, and Conditional Use permitting, the remaining \$350,000 would be disbursed, providing the developer match this amount on a dollar-for-dollar basis.

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In response to Mayor Weldon's question, Mr. Watt noted that the developer does not own the land, but has a joint venture agreement with the owner, which allows CBJ to fully lien the land.

Assemblymember Bryson inquired how CBJ can be sure the developer will be able to acquire financing to finish the project, and if CBJ puts a lien on the property and materials, how does that impact the developer's ability to secure other financing.

Mr. Watt stated that the main financing vehicle the developer is pursuing is a Housing and Urban Development (HUD) loan, which is primarily for project construction after pre-development work is completed. The HUD loan would require CBJ's loan be paid off prior to issuance. Mr. Watt noted that if the developer were unable to secure additional financing, CBJ would receive back an improved property (with grading, drainage, utility, permitting, and a retaining wall) that CBJ could have someone else develop.

Mr. Watt responded to Committee questions.

Motion: by Mayor Weldon to direct staff to draft an ordinance for a pre-development loan for \$700,000 that includes the criteria outlined in the memo, to be funded from the Affordable Housing Fund.

Motion passed by unanimous consent.

V. NEXT MEETING DATE

a. September 7, 2022

VI. ADJOURNMENT

The meeting was adjourned at 7:10 pm.