ORDINANCE NO. 3542-2026

PROPOSED RESIDENTIAL PROPERTY TAX EXEMPTION

KENAI

TERRY EUBANK, CITY MANAGER
DAVE SWARNER, FINANCE DIRECTOR

What Is Proposed?

$75,000

Residential property tax exemption

Who qualifies?

City residents who own or partly own and occupy the property as their primary residence and are deemed eligible for the Borough residential exemption.

*Eligibility is determined by the Borough Assessor.

What approval is required?

City Council approval of Ordinance 3542-2026 at the September 2, 2026 Public Hearing followed by voter approval at the November 3, 2026 City of Kenai regular election.

When would it begin?

January 1, 2027. Applies beginning FY2028.

How Would the Exemption Work?

Assessed Value – Exemptions = Taxable Value

$326.25 maximum annual City property tax reduction

At the current 4.35-mill rate with a full $75,000 exemption.

Example: **$350,000** qualifying residence

	Current	With $75,000 Exemption
Assessed Value	$350,000	$350,000
City Residential Exemption	—	($75,000)
Taxable Value*	**$350,000**	**$275,000**
City Property Tax at 4.35 mills*	$1,522.50	$1,196.25
Tax Reduction		$326.25

*Illustrative example before other applicable exemptions.

Who Would Be Eligible?

1,435 estimated eligible property owners

49	533	853
Disabled Veteran Property Owners	**Senior Property Owners**	**Other Eligible Residential Property Owners**
$3.3M value exempted	**$35.0M** value exempted	**$63.3M** value exempted

$101.7 million
Estimated value removed from taxable base

Senior and disabled veteran property owners may receive the proposed exemption in addition to applicable exemptions.

SENIOR/DISABLED VETERAN EXAMPLE

$350,000	Assessed value
– $150,000	Existing Senior or Disabled Veteran exemption
– $75,000	Proposed exemption
= $125,000	Taxable value

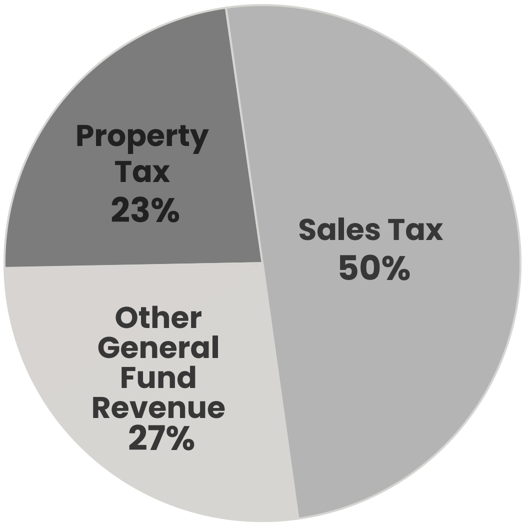
$326.25 additional annual City tax reduction at 4.35 mills

Where Does Property Tax Fit in City Revenues?

Property tax is the second-largest General Fund revenue source, representing 23% of FY2027 General Fund revenue

Revenue Type	Total	%
Property Tax	$5,154,331	23.04%
Sales Tax	$ 11,197,390	50.06%
Intergovernmental Revenues	$ 916,589	4.10%
Other Revenues (licenses, fees, interest)	$3,242,469	14.50%
Charges & Transfers (charges to other funds)	$1,855,900	8.30%
Total General Fund Revenue	$22,366,679	100.00%

Source: FY2027 General Fund Budget



PROPERTY TAX REVENUE

Taxable Assessed Value × Mill Rate

The City Council establishes the mill rate annually.

How Much Property Is Currently Taxable?

2026 CERTIFIED REAL PROPERTY ROLL

1.665 billion

Total Assessed Value

66% Taxable Value	**34%** Exempt Value

What Makes Up the Exempt Value?

WITH PROPOSED EXEMPTION

60% Taxable Value	**40%** Exempt Value

The proposed exemption would reduce taxable assessed value by:

$101.7 million

9.25% of the current taxable base

What is the Fiscal Impact?

$101.7M

Estimated reduction in taxable assessed value

X

4.35 mills

Current City property tax rate
(0.00435)

=

$442,202

ESTIMATED ANNUAL CITY PROPERTY TAX ASSOCIATED WITH EXEMPTED VALUE

At the current 4.35-mill rate

How Can the City Provide Property Tax Relief?

Property Tax Exemption	Mill Rate Reduction
Reduces taxable value	Reduces the tax rate
Applies to qualifying property owners	Applies to all property owners proportionally
Provides targeted tax relief	Provides tax relief to all taxpayers
Fixed dollar amount	Reduction varies with taxable value
Reduces the taxable property base	Does not change taxable values
Supports specific policy objectives	Treats all taxable property uniformly

EXAMPLE CITY BUSINESS PERSONAL PROPERTY EXEMPTION

Ordinance No. 3382-2023
The City exempted the first $100,000 of qualifying business personal property from taxation.

Purpose: Reduce the tax and reporting burden for qualifying businesses.

Maximum tax reduction: $435 per business at 4.35 mills.

Estimated Annual Revenue Reduction: $35,000

The fundamental difference is who receives the tax relief and how the tax burden is distributed.

Can the City Afford the Exemption?

$75,000

Residential property tax exemption

The City has sufficient financial capacity to absorb the estimated impact; however, the exemption may affect future budget decisions.

1

Current Financial Capacity

$2.05M

Current General Fund balance above the amount required by the Fund Balance Policy. Provides near-term financial capacity, but these are finite resources.

2

Potential Budget Effects

~$442,000 annually

At the current 4.35 mill rate. Future budget decisions may include:

- Adjustments to capital expenditures
- Adjustments to service levels
- Use of available fund balance

3

Assessed Value Growth

4.8%

Historical average annual growth in real property assessed value (2007-2025). Assessed value growth may increase the taxable base over time; however, the exemption would continue to reduce taxable value for qualifying properties.

The revenue effect will vary with assessed values and the mill rate.

Proposed Exemption at a Glance

What Is Proposed?

RESIDENTIAL EXEMPTION
Up to **$75,000** of assessed value for a qualifying residence would be exempt from City property tax.

WHO WOULD QUALIFY
City residents who own or partly own and occupy the property as their primary residence and are deemed eligible for the Borough residential exemption.

VOTER APPROVAL
The exemption would require voter approval at the November 3, 2026 City election.

EFFECTIVE DATE
If approved, would take effect January 1, 2027, beginning with FY2028.

What Changes if Approved?

QUALIFYING PROPERTY OWNERS
City property tax would decrease by up to **$326.25** annually at the current 4.35-mill rate.

CITY TAX BASE
An estimated **$101.7 million** would be removed from the taxable base, representing **$442,202** in annual property tax revenue at 4.35 mills.

TAXABLE SHARE
The taxable share of real property assessed value would decrease from approximately **66%** to **60%**.

FUTURE BUDGETS
Future property tax revenue would depend on assessed-value growth and mill rates.

Questions & Discussion