



February 18, 2010

House Community & Regional Affairs Committee  
Alaska State Capitol  
Juneau, Alaska

RE: Support for HJR 39 Opposing LBC Annexation Approval

Dear House Community & Regional Affairs Committee:

The Fairbanks North Star Borough respectfully requests that the Legislature deny the annexation of the Fred Meyer Subdivision to the City of Fairbanks. The City chose to do this annexation through the Legislative Review Process of AS 29.06.040 and, it is the Legislature's responsibility, as set forth in law, to review this annexation. This is especially important because there was no vote of the people concerning this annexation which would have been required had the City chosen the annexation under the local action process. Furthermore, the City chose to consolidate the annexation of the enclave lots with the annexation of the Fred Meyer Subdivision. The Fred Meyer Subdivision should not be annexed just because the enclave lot annexation makes sense. The two issues were divided by the LBC and should have been divided in two separate petitions by the City. They are not contiguous or related.

There are several reasons why this annexation should be denied:

1. First and foremost is the safety issue. The Fred Meyer Subdivision is currently in the University Fire Service Area and the UFSA Station 2 is approximately .6 miles away from Fred Meyer's door. The nearest City station is 3.1 miles away and an ambulance or fire truck must go through 10 signaled intersections down Airport Way, one of Fairbanks' most heavily trafficked streets, to get to Fred Meyer. If a person has a heart attack at Fred Meyer, there is no argument that the UFSA can and will respond significantly faster than the City. As they say in the emergency industry, "Time is tissue." There has been no showing of **need** for this annexation.
2. There must be a cost benefit analysis—particularly when there was no public vote. The City has chosen to annex only one small, but lucrative subdivision which will not require significant costs to the City. In its petition, the City indicated that the increased costs to the City would be only \$39,000 to \$52,000 per year. The increased cost to the Fred Meyer Subdivision owners would be approximately \$68,000 in increased taxes and fees. Yet the subdivision is not getting any significant increased services – if anything, the services are slower and, therefore, decreased.

3. It is bad public policy to allow one municipality to financially cannibalize another. Annexation of the Fred Meyer Subdivision would remove the 2<sup>nd</sup> largest taxpayer from service area. Between property tax loss to the service area and loss in alcohol taxes and non-areawide taxes, the Borough would lose over \$475,000 each year. The LBC concluded that the loss was "de minimus" but not to Borough taxpayers. Taxes will have to be raised in the service area and Borough-wide to cover this loss. The City residents will have a reduction in their taxes after the annexation because the City is gaining over \$600,000 in new revenues while the Borough residents' taxes will be increased. If this area truly needs to be annexed, the City should have requested annexation of the residential subdivision to the south and the rest of the commercial area to the west, rather than picking only the most lucrative piece of property that will bring in the most revenues with the least cost to the City.

4. Finally, the Borough did not get a fair hearing. For example, the LBC did not allow cross-examination of witnesses, which prohibits real factual inquiry during the process. At the same time, the LBC used a hyper-sensitive conflict analysis which deprived the 4<sup>th</sup> Judicial District of any vote on the LBC. The representative from the 4<sup>th</sup> Judicial District was forced to recuse himself even though he had no financial interest in the issue. A review by the Legislature is necessary to provide the residents of the interior representation in this annexation decision.

The Legislature has denied an annexation in the past (Livengood in 1990). The Borough asks that the Legislature pass the resolution denying the annexation of the Fred Meyer Subdivision.

Sincerely,



Luke Hopkins, Mayor