



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Transportation and
Public Facilities

OFFICE OF THE COMMISSIONER
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The Honorable Bill Stoltze
State Senate
Alaska State Capitol, Room 125
Juneau, Alaska 99801

Dear Senator Stoltze:

Thank you for the opportunity to present SB 144 to the Senate Affairs Committee. In response to questions posed by committee members on March 17, 2016, the following information is provided:

- ***The Committee asked for historical information on past acquisitions. The Committee specifically asked about the State's past payments for acquisitions and relocations during an economic downturn (citing a subdivision near the second Eagle River bridge circa late 1980s into the early 1990s).***

This particular project occurred right after the 1986 tax act change and during the savings and loan crisis when Alaska's real estate market experienced a significant loss of value. The alignment for this project went through a subdivision requiring the unavoidable acquisition of more than 50 new homes. Only a handful of the homeowners had any equity in their properties and the rest had market values that ranged from \$20,000 to \$30,000 below their outstanding mortgage balances. The State could have placed the displaced parties in a Housing of Last Resort status or let the condemnation courts settle the matter, but rather chose to negotiate with our Federal funding partners and the lienholders to let us pay off each mortgage as administrative settlements above fair market value. According to the contractor involved in the negotiations at the time, most of the families purchased larger, repossessed homes in the same neighborhood at a lower cost. This in turn benefitted the Alaska Housing Finance Corporation by eliminating most of its inventory of repossessed homes. This saved the State an estimated \$600,000 by avoiding funding Housing of Last Resort and reducing appraisal costs as part of the agreement with our Federal funding partner.

The situation was unique as the acquisitions affected a relatively new subdivision and the displaced parties were caught by a sharp market downturn. Since it did not appear that there was foolish overspending, the Federal government agreed to participate up to the amount of the outstanding mortgages even if the current market value did not support the amounts owed. It is important to note that this situation was relative to the acquisitions, not to relocation benefits.

- ***The Committee also asked about the acquisition and relocation of the Alano Club in Midtown Anchorage, circa 1980s.***

Unfortunately, the person that would have had the specifics on this case passed away more than a decade ago. Due to our file-retention schedules, we do not have specifics on this acquisition and relocation. Current Federal rules allow for Housing of Last Resort payments to assist when a displaced residential party cannot afford an appropriate replacement location. For businesses, Federal

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rules now allow payments for actual eligible relocation expenses or a fixed payment in lieu. In addition, for businesses receiving reimbursement for actual moving expenses, SB 144 would allow the State to comply with new higher re-establishment expense payments.

➤ ***Why is the bill proposing to eliminate the monetary caps on relocation assistance benefits?***

Under guidance from the Department of Law's Legislation and Regulations Section, SB 144 was drafted to exclude repetition of the Federal maximum relocation benefit allowances and include the purpose statement in Section 1. It is costly to have to come back to the Legislature for specific authorization to follow Federal law and in this case it would not make sense to do so. When we are forced to displace parties for public transportation projects we are required to comply with Federal law, treating everyone fairly under the Uniform Act. Limiting our authority to pay less than the Federal maximum creates delays and hardships on displaced Alaskan families, businesses, and farms while we are out of compliance. Being out of compliance, even for a short period of time, jeopardizes our relationship with our funding partners, putting our entire program at risk. These projects currently amount to about \$730 million annually in Federal participation (and countless jobs).

➤ ***Would eliminating the monetary caps allow for the State to provide unlimited payments for displacements?***

Although Alaska statute would no longer repeat the Federal caps if SB 144 was passed, the State would still be limited to the Federal maximums set forth in the United States Code (USC) as referenced in Section 1 of the bill. Administrative settlements for amounts greater than the Federal maximums are limited to acquisitions and they do not pertain to relocation benefits.

➤ ***Do other states have limits on reimbursements for displacement?***

Other states have a mix of outdated Federal limits under revision (like Alaska), current Federal limits, and no limits. Several states have been waiting for the Federal Government to finalize the Code of Federal Regulations (CFR) pertaining to the changes in the USC for higher relocation limits under MAP-21. Though MAP-21 passed in 2012, the higher limits did not go into effect until October 1, 2014, and the CFR remains outdated while the Federal government works through their public process. While some states updated their limits to mirror those in MAP-21, others removed the limits altogether, referencing the pertinent USC as Alaska proposes in SB 144.

As good stewards of public funds and judicious practitioners of eminent domain, DOT&PF staff make every effort to minimize acquisitions and the displacement of Alaskan families, businesses, and farms whenever possible. SB 144 specifically addresses the State's authorization to participate in the maximum amount of Federal relocation benefits available to displaced parties when we have no choice but to relocate due to right-of-way acquisition.

If you or your committee members have further questions, please feel free to contact Mike Lesmann at (907)465-4772.

Sincerely,



Marc Luiken
Commissioner

Enclosures

cc: Darwin Peterson, Legislative Director, Office of the Governor
Steve Hatter, Deputy Commissioner, DOT&PF
Mike Lesmann, Legislative Liaison, DOT&PF