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History of the Ketchikan Shipyard and Exemption

The Ketchikan Shipyard is an AIDEA owned facility acquired in 1997 and operated by a private entity under an operating agreement. It employs 270 workers at an average salary of \$80,000 per year.

AIDEA owned property is tax exempt. It is the possessory interest in tax exempt property which is at issue. The exemption in AS 29.45.030(a)(1)(A) was last extended in 2010. At that time the shipyard was treated as if it were mandatorily exempt. The significance of mandatory vs. optional exemption is that optionally exempt property is included in the full and true value for school taxing purposes. Prior to that time the Shipyard property was treated the same as the Delong Mountain facility, both were treated as fully exempt. It was only after the last extension of the exemption that the Shipyard property began to be included in the full and true value.

The Shipyard property and the Delong Mountain Facility are substantially similar:

- o Both facilities are owned by AIDEA
- o Both facilities are operated by a private entity under an operating agreement, not a lease
- o For both AIDEA exercises significant oversight
- o The operator for both does not have exclusive rights like they would under a lease
- o Both facilities differ from the other AIDEA owned projects which are leased to the private sector where the private possessory interest is taxed.

The shipyard was started largely to service Alaska Marine Highway vessels. The seasonality of the AMHS repairs made it difficult to retain qualified workers. The current AIDEA owned facility with an operating agreement works, but if the facility had to pay taxes on the infrastructure built with Federal grants then the margin is so poor it would likely fail, leaving AMHS with more expensive and inconvenient maintenance options.

Under these circumstances it is appropriate to treat the Delong Mountain Facility and Shipyard similarly.