

ALASKA STATE LEGISLATURE  
**SENATE COMMUNITY & REGIONAL AFFAIRS COMMITTEE**

March 28, 2001

1:37 p.m.

**MEMBERS PRESENT**

Senator John Torgerson, Chair  
Senator Alan Austerman  
Senator Randy Phillips  
Senator Georgianna Lincoln

**MEMBERS ABSENT**

Senator Pete Kelly

**COMMITTEE CALENDAR**

HOUSE BILL NO. 118

"An Act relating to a mandatory exemption from municipal taxes on certain residences; and providing for an effective date."

MOVED HB 118 OUT OF COMMITTEE

HOUSE BILL NO. 156

"An Act relating to municipal debt for development and redevelopment projects."

MOVED HB 156 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

HB 118 - No previous action

HB 156 - No previous action

**WITNESS REGISTER**

Lori Backes  
Alaska State Capitol, Room 41  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Introduced HB 118

Steve Van Sant, State Assessor  
Department of Community & Economic Development  
Division of Community and Business Development  
550 W 7th Ave Ste 770  
Anchorage, AK 99501-3510

**POSITION STATEMENT:** Answered questions on HB 118

Representative Lesil M<sup>c</sup>Guire  
Alaska State Capitol  
Juneau, AK 99801-1182  
**POSITION STATEMENT:** Sponsor of HB 156

Tom Klinkner  
No address provided  
Anchorage LIO  
**POSITION STATEMENT:** Testified on HB 156

Fred Burrows  
Downtown Anchorage Civil Venture  
No address provided  
Anchorage LIO  
**POSITION STATEMENT:** Testified on HB 156

Rod Pfleiger  
Downtown Partnership  
No address provided  
Anchorage LIO  
**POSITION STATEMENT:** Testified on HB 156

Anna Fairclough  
P.O. Box 77112  
Eagle River, AK 99577  
**POSITION STATEMENT:** Testified on HB 156

Mike Scott  
Municipality of Anchorage  
1200 East 1<sup>st</sup> Avenue  
Anchorage, AK 99504  
**POSITION STATEMENT:** Testified on HB 156

**ACTION NARRATIVE**

**TAPE 01-11, SIDE A**

Number 001

**CHAIRMAN JOHN TORGERSON** called the Senate Community & Regional Affairs Committee meeting to order at 1:37 p.m. Senators Austerman, Phillips, Lincoln and Chairman Torgerson were present.

The first order of business was HB 118.

#HB 118

**HB 118-SR CIT./DISABLED VET. PROP TAX EXEMPTION**

Lori Backes, staff to Representative Whittaker introduced the bill and explained that HB 118 allows municipalities to establish, by their own ordinance, methods for accepting applications for the senior citizen, disabled veterans, and widows and widowers property tax exemption. Under current state law, these citizens must file yearly for this exemption and Representative Whittaker thought it was best that communities establish their own procedures for accepting these applications. For example, he thought it was unfair that seniors had to apply yearly for the exemption when the general residential property tax exemption could be made on a one time basis.

SENATOR PHILLIPS asked if he was correct that, at the local option, a senior citizen would have to file just once for a property tax exemption.

MS. BACKES said that is correct if that is the choice of the municipality.

SENATOR PHILLIPS asked how the municipality would check to see whether the seniors had moved and their non-senior children were now occupying the house.

MS. BACKES said that would be addressed the same way that municipalities currently address that situation; the house would no longer qualify for the exemption.

SENATOR PHILLIPS thought he was missing some point; registering for the exemption just once could invite fraud.

MS. BACKES said that municipalities could set their own methods for checking that the exemptions were allowable. One suggestion is that a reminder or question card could be sent on a yearly basis asking whether the individual still lives at the same location. If the card isn't sent back, that residence should be checked.

SENATOR PHILLIPS thought that people would cheat.

CHAIRMAN TORGERSON asked Steve Van Sant to address Senator Phillips' concerns.

STEVE VAN SANT, local assessor for the Department of Community and Economic Development, responded that they have this problem now. There is a small percentage of senior citizens throughout the state who sign that they live at a particular residence when they really don't live there. There is a safeguard that the local municipality can put in whereby certain requirements must be met and the

assessors expect that those procedures would be written in so that they would be able to check if there was a question. There is no perfect solution, however.

SENATOR PHILLIPS asked whether it would be mandatory to include procedures for checking or not.

MR. VAN SANT said the bill says, "...shall by ordinance establish procedures." Within those procedures each municipality has latitude.

SENATOR PHILLIPS said this is non-mandatory.

MR. VAN SANT agreed.

CHAIRMAN TORGERSON asked whether assessors generally support the bill.

MR. VAN SANT said they do generally but the one concern they have is on page 1, line 14 where "for that year" is removed. If an individual asks for an exemption to be retroactive for several years there would be no way for the assessor to go back and check whether they met criteria for the exemption.

CHAIRMAN TORGERSON asked for confirmation that removing "for that year" might make this retroactive.

MR. VAN SANT said he believed it would. To this point, that language has been used to mean that the governing body may only waive an application late file for that year only. It cannot be retroactive.

MS. BACKES responded that it hinges upon the word "may" in line 13. "The governing body of the municipality for good cause shown may waive..." It would be a borough or municipal assembly decision to waive the application or not waive it. This allows the applicant the opportunity to appeal the decision. Without the change in language, local municipalities can only address that type of situation during that current application year.

SENATOR LINCOLN spoke about a woman from Fairbanks who was ill and didn't realize that she had to request a waiver. The borough said its hands were tied because they weren't allowed to waive that year or prior years.

MS. BACKES was familiar with the case and said that she wasn't ill but illiterate and didn't know that she had to file more than once. By the time the borough noticed the problem, she was many years in

arrears and her property was foreclosed upon. The borough said that state statute would not allow them to go back and look at extenuating circumstances.

SENATOR LINCOLN said that she would leave the language out due to cases such as that. The local government should be able to make those decisions.

CHAIRMAN TORGERSON asked if the money being discussed was local with no State treasury affect.

MR. VAN SANT said that was correct, the legislature "hasn't funded this since 1996."

CHAIRMAN TORGERSON said he knew that, he just wanted it on the record.

There were no other questions or individuals giving testimony.

He asked for the will of the committee.

SENATOR AUSTERMAN moved HB 118 and zero fiscal note from committee with individual recommendations. There were no objections.

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#HB 156

#### **HB 156-MUNICIPAL DEBT FOR DEVELOPMENT PROJECTS**

REPRESENTATIVE LESIL MCGUIRE, bill sponsor, introduced the bill as a straightforward measure that would allow municipalities to create development and redevelopment projects. An assembly would identify an area as blighted and qualified for either development or redevelopment. They would identify the boundaries and then issue bonds for either development or redevelopment purposes. As part of the bond issuance, a pledge would be made that monies accrued from the increased property value would then be used to pay down the debt on the bonds.

This legislation was enacted in 1988 to give municipalities another tool for community development and redevelopment. Because there are several lines in the original statute that create difficulties, it is virtually dormant. She is unaware of any municipality that has used the funding tool.

Page 1, lines 9 and 10 of the amendment removes the additional security required in the form of a letter. Bond underwriters are

already making a financial analysis prior to underwriting bonds and each bond project is viewed differently. The language is redundant and appears to require 100 percent collateralization. This has been confusing and therefore not used.

HB 156 removes the redundant and confusing language and streamlines the process so municipalities have the ability to use this as a tool to aid development and redevelopment in their municipality.

For the record, Tom Klinkner, a municipal attorney with Birch Horton and Bittner in Anchorage, is on line to answer questions. In addition, Dan Sullivan, Anna Fairclough and Mike Scott were present to answer questions and lend support.

SENATOR PHILLIPS asked what triggered the bill.

REPRESENTATIVE MCGUIRE said that the Municipality of Anchorage was the first group to bring this to her attention. They are interested in a series of downtown Anchorage developments and areas that haven't attracted developers due to their blighted nature. Municipalities have looked at this statute for a number of years but it's proven difficult to use due to the confusing language.

She wanted to make certain that the issue isn't politicized because it is a redevelopment tool and a local control issue. It's not a financial burden that's being undertaken.

TOM KLINKNER, an attorney with the Anchorage office of Birch Horton and Bittner, said that statute 29.47.460 was enacted in 1988 to provide a basis in State law for municipalities to issue bonds that are exempt from federal taxation. These are called qualified redevelopment bonds and federal law imposes requirements for these bonds to qualify for tax exemption. One requirement is that there must be State-enabling legislation and this statute was supposed to supply that qualification.

The language that will be deleted is not required by federal law and is not necessary for tax exemption so it won't affect the original purpose of the statute, it will make it more flexible.

SENATOR PHILLIPS asked how the decision is made and would downtown Chugiak be as eligible as downtown Anchorage.

MR. KLINKNER said that the local legislative body must initiate the process by identifying a blighted area.

CHAIRMAN TORGERSON asked whether any area within a municipality is eligible.

MR. KLINKNER said it was.

REPRESENTATIVE MCGUIRE said that the meaning of municipality is the standard definition.

FRED BURROW, representative of Downtown Anchorage Civic Ventures, a new 501(C)3 non-profit community development corporation funded by the municipality and private sector to promote community oriented projects in underdeveloped or blighted areas, testified via teleconference in support of the change. They feel that they are at a competitive disadvantage without it.

ROD PFLEIGER, representative of the Anchorage Downtown Partnership testified via teleconference that this amendment would allow Alaska to be competitive with 48 other states that are using this tool.

ANNA FAIRCLOUGH, Anchorage assembly member, testified in support of HB 156. The municipality would have an additional tool to help promote infrastructure development in the private sector. The eliminated criteria is above and beyond normal requirements.

MIKE SCOTT, an employee for the Municipality of Anchorage and chair of the legislative committee for the Alaska Municipal League, testified in support of the legislation. He said it's a piece of legislation that can apply anywhere in the State that has property taxes. They were pleased to hear that the House passed the legislation on a 34 to 0 vote.

SENATOR PHILLIPS asked about the letter in the bill packet written by Mr. Scott on a Municipal Light and Power (ML&P) letterhead.

MR. SCOTT said that downtown Anchorage is in the ML&P service area and so they have a great interest in seeing more development in this area so there is more need for their service.

SENATOR LINCOLN asked whether there was a down side for the State of Alaska.

MR. SCOTT said he did not see any down side for the State but at the local level people should pay particular attention in deciding which projects to select for development or redevelopment.

SENATOR PHILLIPS moved HB 156 and zero fiscal note from committee with individual recommendations. There were no objections.

CHAIRMAN TORGERSON adjourned the meeting at 2:00 p.m.

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