

ALASKA STATE LEGISLATURE
SENATE COMMUNITY & REGIONAL AFFAIRS COMMITTEE

March 27, 2002

1:35 p.m.

MEMBERS PRESENT

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

COMMITTEE CALENDAR

SENATE BILL NO. 314

"An Act relating to the taxation of mobile telecommunications services by municipalities; and providing for an effective date."

HEARD AND HELD

SENATE BILL NO. 312

"An Act relating to enterprise zones."

HEARD AND HELD

CS FOR HOUSE BILL NO. 135(JUD) am

"An Act relating to municipal fees for certain police protection services and to a tenant's activities that result in the imposition of those fees."

MOVED SCSCSHB 135 (CRA) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

SB 312 - No previous action to record.

SB 314 - No previous action to record.

HB 135 - No previous action to record.

WITNESS REGISTER

Zach Warwick
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Introduced SB 312

Pam La Bolle
President, Alaska State Chamber of Commerce

No address provided

POSITION STATEMENT: Testified on SB 312

Peter Freer

Department of Community and Economic Development

P.O Box 110800

Juneau, AK 99811-0800

POSITION STATEMENT: Testified on SB 312

Maridon Boario

Staff to Representative Gretchen Guess

Alaska State Capitol, Room 112

Juneau, AK 99801-1182

POSITION STATEMENT: Introduced HB 135

Nathan Johnson

Staff to Representative Gretchen Guess

Alaska State Capitol, Room 112

Juneau, AK 99801-1182

POSITION STATEMENT: Answered questions on HB 135

Tim Rogers

Municipality of Anchorage

P.O. Box 196650

Anchorage, AK 99519-6650

POSITION STATEMENT: Testified on HB 135

Dan Loring

No address provided

POSITION STATEMENT: Testified on HB 135

ACTION NARRATIVE

TAPE 02-6, SIDE A

CHAIRMAN JOHN TORGERSON called the Senate Community & Regional Affairs Committee meeting to order at 1:35 p.m. Present were Senators Lincoln, Phillips, Austerman, Kelly and Chairman Torgerson.

#SB 314

SB 314-MOBILE TELECOMMUNICATIONS TAX

CHAIRMAN TORGERSON announced HB 355 just came to the Senate so it will overcome SB 314. Because HB 355 was not noticed for this meeting, it would be heard at a later date in place of SB 314.

SB 314 was held in committee.

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#SB 312

SB 312-ENTERPRISE ZONES

CHAIRMAN TORGERSON announced he didn't intend to move the bill from committee that day, but he did want to hear it and determine whether adjustments were necessary.

ZACH WARWICK, aide to Senator Therriault, explained that the bill authorizes the governor to declare up to four enterprise zones per year. It is designed to offer economic incentives for businesses to locate within that area and hire people from that area. The possible state and city/borough incentives are as follows:

Local Incentives

- It reduces municipality's user or permit fees.
- Offers credits toward exemptions from property taxes.
- Offers flexibility in regulations like zoning, permitting and exemptions from local ordinances.
- Offers lease or sale of the municipality's real property within the zone as long as the property was not designated for public use.

State Incentives

- 15 percent of the initial investment in the area would count as a credit to state corporate income taxes.
- After a business operates in a zone for one year they would qualify for a \$500 corporate income tax credit for each new employee hired.

These incentives would allow a company to invest in a certain distressed economic zone of a city or municipality. In order to get federal grants for federal economic zones there must be a state or local economic zone program.

He pointed out that that they just learned there is a problem on page 2, lines 5 & 6 that say, " 'eligible neighborhood development organization' has the meaning given in 42U.S.C.5318(a)a." The problem arises within the code because it states that in order to be an economic enterprise zone within the state it must first be a federal economic zone. A change in language would be necessary to deal with this problem.

CHAIRMAN TORGERSON asked, "Why don't we just use ARDORs? (Alaska Regional Development Organization)

MR. WARWICK wasn't clear about how ARDORs operate so he couldn't answer the question.

CHAIRMAN TORGERSON asked how an enterprise zone is operated. Is there a general manager and who does the book work?

MR. WARWICK replied he thought it would be someone within the city government but he wasn't sure.

SENATOR LINCOLN pointed out that the wording restricts enterprise zones to urban areas rather than to the entire state. She didn't believe the sponsor intended to exclude areas and was interested in expanding the scope to include many Alaskan communities.

MR. WARWICK thought the bill was designed that way. There are four designations allowed every year and each could last up to 20 years.

SENATOR LINCOLN reiterated her concern that current wording makes rural areas ineligible.

MR. WARWICK didn't follow her interpretation.

SENATOR LINCOLN referred him to page 2, line 7-10.

CHAIRMAN TORGERSON asked Mr. Warwick to confirm that was not the intent.

MR. WARWICK responded it was not the intent to exclude rural communities.

CHAIRMAN TORGERSON stated they would review the wording.

SENATOR AUSTERMAN noted that Senator Drue Pearce worked on an enterprise package several years ago to encourage businesses to come to Alaska. He asked whether that bill passed but was never funded. He suggested that they check and see whether there would be an inner tie between that piece of legislation and this. Taking a business from one area and placing it in another because the latter is a more depressed area doesn't help the growth of Alaska. It simply satisfies the growth of one unit at the expense of another. He expressed reservations about moving businesses around Alaska rather than encouraging new businesses to come to Alaska.

MR. WARWICK replied that the intent was to get more investing in Alaska.

PAM LABOLLE, President of the Alaska State Chamber of Commerce, testified in support of the legislation. It is their understanding that it is to provide an incentive for business development in depressed areas or communities. They feel that it could enhance economic development opportunities throughout the state.

She noted there is a British Columbia company that has developed a process to use wood chips as fuel. There are many places in Southeast that are depressed due to the faltering timber industry and this type of operation could offer them an economic option. She thought the impact of spruce bark beetle kill on the Kenai Peninsula might be cushioned if they were to use this process on those trees. "Legislation like this could help bring a company activity like that into those parts of the state..."

PETER FREER, a local government specialist with the Department of Community and Economic Development, has spent most of his career working as a government specialist with Southeast communities and is now managing economic development programs.

He looked at the bill recently and thought there might be an issue related to a requirement for federal designation for enterprise zones prior to a state designation being able to take place. There is a provision for state designation of enterprise zones and a submittal of those zones to the Secretary of Housing and Urban Development (HUD) for consultation among various department secretaries before that designation is granted.

Many other states have enterprise zone legislation in place and he could furnish examples of how others have use this legislation to promote industry and business development within economically distressed areas.

The federal legislation is not anti rural, but is primarily meant to focus on urban areas that are distressed. However, he has found instances of rural locations in New Mexico and other western states where enterprise zones have been created and used as an incentive to attract business.

It does appear as though there would need to be a federal designation before the state designation took place. Another way of doing this is for the state to make the designation and submit it to the HUD secretary who consults with the Secretary of Interior and several others and then the designation is made. There are not a lot of these in the country but he did find the section of the U.S. code that deals with enterprise zones. It

appears that the HUD secretary has the authority to designate up to 100 enterprise zones across the country. He didn't know how many are currently designated but is in the process of determining the status of those designations.

Enterprise zones do appear to be very well used devices for promoting economic development so clearly there may be benefits to this type of legislation.

CHAIRMAN TORGERSON asked whether he thought that consultation with the HUD secretary would be enough to allow the federal tax credit.

MR. FREER replied he would need to research that further before giving a conclusive answer, but would be happy to continue to look into it and provide any information he could to the committee to clarify the issues.

CHAIRMAN TORGERSON said he wanted to work on the bill, but he knew there would be many questions. He asked Mr. Freer to discuss Senator Lincoln's concerns regarding the rural issue.

MR. FREER replied there are several programs. The enterprise program is actually a designation rather than a program. There are programs within the U.S. Department of Agriculture (USDA) such as Rural Development and The Champion Communities Program. There are a number of communities in the Yukon-Kuskokwim Delta that are still designated under this program. He would have to check and see what has happened as a result of that designation in those communities. The Metlakatla Indian Reservation is the one federally designated empowerment zone currently in the state. They received that designation as a result of the collapse of their resource economies in fishing and timber and it has brought them considerable benefits in the form of federal grants.

SENATOR AUSTERMAN asked whether there was anything stopping communities from offering incentives to attract business.

MR. FREER replied municipalities have broad power under state law and he thought they would have the authority to design local tax incentives to attract business.

SENATOR AUSTERMAN asked what the enterprise zone does for the municipality other than the two points listed above.

MR. FREER thought it might open the door to some federal assistance but in what form and what amounts he wasn't prepared to say.

CHAIRMAN TORGERSON commented that federal law defines an eligible neighborhood but doesn't address cities and boroughs.

SENAOTR LINCOLN asked members to be aware that federal definitions are not necessarily the same as those used by Alaska. It's important to be aware of the potential differences.

She supports the concept of the legislation, but doesn't want to close any doors for anyone in any area of the state.

MR. FREER said he would be happy to provide examples where similar programs have benefited rural areas. He acknowledged Senator Lincoln's concern is valid and noted that seven of Alaska's largest cities might be rural under a federal definition.

SENATOR AUSTERMAN asked Mr. Freer whether he had read AS 44.33.311, which is how an enterprise zone has been defined.

MR. FREER replied he has not looked it up yet, but does have a detailed definition of enterprise zones in federal law.

CHAIRMAN TORGERSON asked whether there was a size restriction on an enterprise zone.

MR. FREER replied a census tract is identified as the preferred unit. He thought you could aggregate census tracts because other states have done so. Alaska has 154 census tracts in its 27 census areas and the threshold population for a tract is 10,000.

CHAIRMAN TORGERSON thought using the census tract would address Senator Lincoln's concern. He then asked whether we could make smaller units through state law.

MR. FREER said he would be more comfortable checking the federal law to see whether subunits are allowed before giving an answer.

CHAIRMAN TORGERSON replied they already determined they didn't care what the federal requirements are because they could consult directly with the Secretary of Housing and Urban Development.

MR. FREER said the minimum size might be a requirement in the state's establishment of the zones.

CHAIRMAN TORGERSON asked Mr. Freer to work with his staff, Mary Jackson, regarding the requested information.

He asked Mr. Warwick the status of the similar House bill and whether it had been amended.

MR. WARWICK replied it was in House Finance and it had been amended to the current Senate bill form.

There was no further testimony.

CHAIRMAN TORGERSON held the bill in committee.

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CHAIRMAN TORGERSON called for a brief at-ease at 2:00 p.m. and then called the meeting back to order at 2:05 p.m.

#HB 135

HB 135-EXCESSIVE POLICE SERVICES:FEES/ TENANCY

MARIDON BORIO, Staff to Representative Gretchen Guess, asked that Nathan Johnson present the bill via teleconference.

NATHAN JOHNSON, Legislative Aide to Representative Gretchen Guess, explained the bill was designed to enable municipal governments to enact an ordinance to assess a fee for excessive police visits. The fee is granted lien status against the nuisance property. The municipality would have to define "excessive" and make provisions to exempt property owners that are taking prompt corrective action. They have also added a provision to give the landlord grounds to evict a tenant for any conduct or behavior that might result in a fee under the statute.

TIM ROGERS, Legislative Program Coordinator for the Municipality of Anchorage, said the municipality supports the bill and there is a letter in the packets from the deputy police chief for the municipality giving some reasons for their support. Last year the Municipal Assembly unanimously passed a resolution in support of the bill. The civil abatement process is the only tool currently available and it is lengthy, costly and requires going to court to resolve the issue. This bill offers an intermediate step to encourage landlords to take action to solve some of the crack house problems they currently have.

DAN LORING from the Fairview Neighborhood district spoke in personal support of the bill. It will help make improvements to that neighborhood.

There was no further testimony on HB 135.

CHAIRMAN TORGERSON asked for a motion to adopt amendment #1.

SENATOR LINCOLN said she met with Representative Guess to discuss the amendment and she agreed to the changes.

SENATOR LINCOLN made a motion to adopt 22-LS0421\SA.1 Cook 2/5/02 as amendment #1. On page 1, line 14 "that involve" is deleted and "unless the calls are reasonable justified or involve potential

child neglect," is inserted. On page 2, line 1, following "11.41.270." insert "An ordinance adopted under this section shall define 'reasonably justified' for purposes of this subsection. (b)"

She wanted to ensure that in cases of potential child neglect people weren't reluctant to call in a report because they didn't want to risk imposition of a fine.

CHAIRMAN TORGERSON thought the second part of the amendment was a bit confusing.

MR. JOHNSON said he was a bit surprised and wished that Representative Guess could speak to the change.

CHAIRMAN TORGERSON reminded Mr. Johnson that Senator Lincoln met with Representative Guess and she agreed to the changes. He then asked him to state his objections for the record.

MR. JOHNSON said, there is a bit of a conflict because all calls are probably reasonably justified. They aren't talking about frivolous calls; there might be justified calls to the property every day of the week. "What we're trying to get at is the fact that the conduct of inhabitants is repeated and continuing to such an extent that we're trying to reach the problem and get some leverage for the community to abate or correct that behavior." He's a bit confused by the intent of the amendment because most calls are probably justified; they're after the chronic problem. "With that said, I'll let the committee do their will."

SENATOR LINCOLN replied this is the will of the sponsor.

CHAIRMAN TORGERSON asked for further discussion and there was none.

There was no objection to the adoption to amendment #1.

SENATOR AUSTERMAN stated his support of the bill because in some areas of the state it is well justified. It is a good concept. His only concern was that some bars around the state have an atmosphere that generates problems. In his community, bars are very quick to call the police to try to control a problem before it gets out of hand. He is concerned that this could be used against those bars and might cause them to quit making calls thereby exasperating the problem and leading to someone getting badly hurt.

SENATOR AUSTERMAN made a motion to move CSHB 135 (CRA) from committee with attached fiscal note and individual recommendations.

There being no objection, CSHB 135 (CRA) moved from committee with individual recommendations.
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ADJOURNMENT

There being no further business before the committee, the Community and Regional Affairs Committee meeting was adjourned at 2:15 p.m.