

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 28, 2008

8:19 a.m.

MEMBERS PRESENT

Representative Anna Fairclough, Co-Chair
Representative Gabrielle LeDoux, Co-Chair
Representative Sharon Cissna
Representative Woodie Salmon

MEMBERS ABSENT

Representative Nancy Dahlstrom
Representative Mark Neuman
Representative Kurt Olson

COMMITTEE CALENDAR

HOUSE BILL NO. 356

"An Act relating to an exemption from municipal property taxes for certain real property that is exempt from levy and collection of real property taxes when conveyed by the federal government to implement the Alaska Native Claims Settlement Act or when conveyed under a land exchange authorized by that Act involving land or an interest in land that is made exempt from local property taxes by that Act; and providing for an effective date."

- MOVED CSHB 356(CRA) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 356

SHORT TITLE: MUNICIPAL PROPERTY TAX EXEMPTION

SPONSOR(S): REPRESENTATIVE(S) STOLTZE

02/06/08	(H)	READ THE FIRST TIME - REFERRALS
02/06/08	(H)	CRA, FIN
02/28/08	(H)	CRA AT 8:00 AM BARNES 124

WITNESS REGISTER

REPRESENTATIVE BILL STOLTZE
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of HB 356.

STEVE VAN SANT, State Assessor
Department of Commerce, Community, & Economic Development
Anchorage, Alaska

POSITION STATEMENT: During hearing of HB 356, answered questions.

JIM ARNESEN, Corporate Lands and Regulatory Manager
Eklutna, Inc. Board of Directors
Eagle River, Alaska

POSITION STATEMENT: Testified on HB 356.

CURTIS MCQUEEN, Chief Executive Officer
Eklutna, Inc.
Eagle River, Alaska

POSITION STATEMENT: Testified in support of HB 356.

BARBARA DONATELLI, Senior Vice President
Administration and Government Relations
Cook Inlet Region, Inc. (CIRI)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 356.

ACTION NARRATIVE

CO-CHAIR ANNA FAIRCLOUGH called the House Community and Regional Affairs Standing Committee meeting to order at [8:19:31 AM](#). Representatives Fairclough, LeDoux, Cissna, and Salmon were present at the call to order.

HB 356-MUNICIPAL PROPERTY TAX EXEMPTION

[8:19:54 AM](#)

CO-CHAIR FAIRCLOUGH announced that the only order of business would be HOUSE BILL NO. 356, "An Act relating to an exemption from municipal property taxes for certain real property that is exempt from levy and collection of real property taxes when conveyed by the federal government to implement the Alaska Native Claims Settlement Act or when conveyed under a land exchange authorized by that Act involving land or an interest in land that is made exempt from local property taxes by that Act; and providing for an effective date."

8:20:20 AM

REPRESENTATIVE BILL STOLTZE, Alaska State Legislature, speaking as the sponsor of HB 356, explained that he introduced HB 356 after being approached by Eklutna, Inc., which is the largest private land holder in the Municipality of Anchorage. He directed attention to the fiscal note analysis, which read [original punctuation provided]:

This legislation would expand the list of property exempt from municipal taxation to include certain real property of native corporations conveyed under the Alaska Native Claims Settlement Act (ANCSA) when it is exchanged with a municipality and not leased or developed.

While this legislation has no fiscal impact on the operations of the division, it would have the potential of creating a positive economic impact on local municipalities. It would allow municipalities and native corporations to exchange lands without immediate property tax consequences. This exchange of lands could expedite development of lands by the native corporations in exchange for lands which the municipality may need for public uses, such as recreational uses and public schools.

REPRESENTATIVE STOLTZE highlighted that Eklutna, Inc., owns the sites of two schools in the area and leases the land to the Municipality of Anchorage for \$1 a year. Land trades are important as illustrated by the Mount Baldy land swap. However, Eklutna, Inc., ends up trading nontaxable property for taxable property. Eklutna, Inc., he related, isn't interested in selling and developing all of its land, but rather is a small cooperation looking to the future. The legislation allows the Title 29 exemption for something that local governments want to do.

8:26:05 AM

CO-CHAIR LEDOUX asked if under current law a municipality would be required to tax the land for which a Native organization swapped its land.

REPRESENTATIVE STOLTZE replied yes.

CO-CHAIR LEDOUX surmised then that the municipality doesn't have a choice with regard to whether to tax the property the Native organization receives in a land exchange.

REPRESENTATIVE STOLTZE clarified that the municipality has the choice with regard to accepting the land trade, but exemptions to tax have to be set in statute under Title 29.

[8:28:43 AM](#)

STEVE VAN SANT, State Assessor, Department of Commerce, Community, & Economic Development, explained that under current law unless land is given under the Alaska Native Claims Settlement Act (ANCSA), it can't be exempt. Therefore, any land traded to ANCSA corporations would be taxable. This legislation is necessary and clarifies matters for municipalities, the department, and Native organizations. He then explained that there are no fiscal ramifications because municipalities currently don't pay taxes on their properties and Native corporations don't pay taxes on undeveloped property or property that's not leased. Therefore, under HB 356 if the property is undeveloped or not leased at the time of the trade, the exemption remains.

[8:30:54 AM](#)

JIM ARNESEN, Corporate Lands and Regulatory Manager, Eklutna, Inc., Board of Directors, characterized this legislation as an issue of fairness. State law needs to catch up with federal law, he said. Native corporations have been frustrated for many years in these situations in which it tries to do something good for a community by trading lands with a municipality, but are stuck with the tax bill. Eklutna, Inc., in particular, has faced this situation due to its location. He related that Eklutna, Inc., has had various entities approach the corporation desiring to trade land. It doesn't make sense for the corporation to trade undeveloped lands on which the corporation doesn't pay taxes for undeveloped lands on which it will have to pay taxes. The Mount Baldy exchange is a prime example of the aforementioned.

[8:33:35 AM](#)

CURTIS MCQUEEN, Chief Executive Officer, Eklutna, Inc., related that Eklutna, Inc., has 167 shareholders, the majority of which live in Alaska, in particular in the Municipality of Anchorage. He noted that Eklutna owns the land on which five schools sit

and only charges \$10 a year for those. The aforementioned illustrates the commitment of the shareholders to education and growing the community. Eklutna, Inc., is an environmentally friendly and pro-recreation group as illustrated with the participation in the Mount Baldy land exchange. Shareholders have become concerned because the corporation is being solicited for more land trades as urban sprawl occurs. In fact, there is a new housing development at which a school sight has been set aside. The school district has asked if Eklutna, Inc., would be willing to do a land exchange in that situation. Due to the current situation in which the land that Eklutna, Inc., would take would be taxable, the corporation can't discuss it. Mr. McQueen stated that Eklutna, Inc., is highly supportive of HB 356.

[8:37:27 AM](#)

REPRESENTATIVE SALMON asked if the current law applies to the federal government.

MR. MCQUEEN explained that currently ANCSA land trades with the federal and state government are tax exempt, it's only with the municipality that it becomes taxable. He echoed earlier information that Eklutna, Inc., is the largest land holder in the Municipality of Anchorage, and added that the corporation is also a significant land owner in the Matanuska-Susitna Borough. In fact, Eklutna, Inc., has just completed its final ANCSA conveyance selections for an additional 67,000 acres in the Matanuska-Susitna Borough. The Matanuska-Susitna Borough has indicated that it may be interested in some future land trades with Eklutna, Inc.

[8:38:57 AM](#)

BARBARA DONATELLI, Senior Vice President, Administration and Government Relations, Cook Inlet Region, Inc. (CIRI), reminded the committee that CIRI is 1 of the 12 Alaska Native regional corporations created by an Act of Congress in 1971. Ms. Donatelli related CIRI's strong support for HB 356. She noted that CIRI is a large holder of ANCSA lands in the Anchorage vicinity. The lack of an express provision such as HB 356 stands as a substantial barrier to any land exchange.

[8:41:12 AM](#)

CO-CHAIR FAIRCLOUGH, upon determining no one else wished to testify, closed the public hearing.

[8:41:27 AM](#)

MR. VAN SANT related his impression that the Municipality of Anchorage assessor is currently working on a land trade with Eklutna, Inc., and thus suggested that perhaps the legislation should be made retroactive to January 1, 2008. The aforementioned would accommodate any land exchange that would occur this year.

[8:42:06 AM](#)

REPRESENTATIVE STOLTZE said he is amenable to such a change, if it's the will of the committee.

[8:43:12 AM](#)

CO-CHAIR FAIRCLOUGH inquired as to how the proposed retroactivity would impact the current land exchange with Eklutna, Inc.

MR. MCQUEEN said that such a change would help tremendously. He informed the committee that the [proposed land exchange] went before voters in 2006, state funding was appropriated in 2007, and then work began with regard to all the details. The mayor signed the official paperwork, but Eklutna, Inc., hasn't signed the final paperwork for this transaction. This land exchange is going through the planning and zoning process at the moment. To make this legislation retroactive would result in the Mount Baldy land exchange not being a taxable event.

MR. ARNESEN related his support of the proposed retroactivity.

[8:45:14 AM](#)

CO-CHAIR LEDOUX moved that the committee adopt Conceptual Amendment 1, as follows:

Page 4, line 1;
Delete "2009"
Insert "2008"

There being no objection, Conceptual Amendment 1 was adopted.

[8:45:58 AM](#)

CO-CHAIR LEDOUX moved to report HB 356, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 356(CRA) was reported from the House Community and Regional Affairs Standing Committee.

[8:46:24 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 8:46 a.m.