

**ALASKA STATE LEGISLATURE**  
**SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

April 3, 2012

3:34 p.m.

**MEMBERS PRESENT**

Senator Donald Olson, Chair  
Senator Thomas Wagoner  
Senator Albert Kookesh  
Senator Linda Menard

**MEMBERS ABSENT**

Senator Johnny Ellis

**OTHER LEGISLATORS PRESENT**

Representative Cathy Munoz

**COMMITTEE CALENDAR**

CS FOR HOUSE BILL NO. 9(FIN) am

"An Act relating to the Alaska Gasline Development Corporation, a subsidiary created by the Alaska Housing Finance Corporation; establishing and relating to the in-state natural gas pipeline fund; making certain information provided to or by the Alaska Gasline Development Corporation exempt from inspection as a public record; relating to the Joint In-State Gasline Development Team; relating to the judicial review of a right-of-way lease or an action or decision related to the development or construction of an oil or gas pipeline on state land; relating to the lease of a right-of-way by the Alaska Gasline Development Corporation or a successor in interest for a gas pipeline transportation corridor; relating to the cost of natural resources, permits, and leases provided to the Alaska Gasline Development Corporation; relating to the review of natural gas transportation contracts by the Regulatory Commission of Alaska; relating to the regulation by the Regulatory Commission of Alaska of an in-state gas pipeline project developed by the Alaska Gasline Development Corporation; relating to the regulation by the Regulatory Commission of Alaska of an in-state natural gas pipeline that is expressly authorized to provide transportation as a contract carrier; relating to the Alaska Natural Gas Development Authority; relating to the procurement of certain services by the Alaska Natural Gas Development Authority; exempting property of a project developed by the

Alaska Gasline Development Corporation from property taxes before the commencement of commercial operations; and providing for an effective date."

- REMOVED FROM AGENDA

SENATE BILL NO. 223

"An Act relating to a credit against the net income tax for a contribution made by a taxpayer to a nonprofit organization that provides an emergency shelter for the homeless or a facility for alcohol or drug detoxification."

- MOVED CSSB 223(CRA) OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 264(CRA)

"An Act allowing a deferral of municipal property taxes on the increase in the value of real property attributable to subdivision of that property; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 223

SHORT TITLE: TAX CRED: CONTR. TO HOMELESS SHELTER/DETOX

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

03/02/12	(S)	READ THE FIRST TIME - REFERRALS
03/02/12	(S)	CRA, FIN
03/15/12	(S)	CRA AT 3:30 PM BELTZ 105 (TSBldg)
03/15/12	(S)	Heard & Held
03/15/12	(S)	MINUTE(CRA)
03/27/12	(S)	CRA AT 3:30 PM BELTZ 105 (TSBldg)
03/27/12	(S)	Heard & Held
03/27/12	(S)	MINUTE(CRA)
03/29/12	(S)	CRA AT 3:30 PM BELTZ 105 (TSBldg)
03/29/12	(S)	Heard & Held
03/29/12	(S)	MINUTE(CRA)
04/03/12	(S)	CRA AT 3:30 PM BELTZ 105 (TSBldg)

BILL: HB 264

SHORT TITLE: MUNI PROPERTY TAX DEFERRAL: SUBDIVISIONS

SPONSOR(S): REPRESENTATIVE(S) MUNOZ

01/17/12	(H)	PREFILE RELEASED 1/13/12
01/17/12	(H)	READ THE FIRST TIME - REFERRALS

01/17/12	(H)	CRA, FIN
02/14/12	(H)	CRA AT 8:00 AM BARNES 124
02/14/12	(H)	Heard & Held
02/14/12	(H)	MINUTE(CRA)
02/16/12	(H)	CRA AT 8:00 AM BARNES 124
02/16/12	(H)	Moved CSHB 264(CRA) Out of Committee
02/16/12	(H)	MINUTE(CRA)
02/17/12	(H)	CRA RPT CS(CRA) 5DP
02/17/12	(H)	DP: AUSTERMAN, CISSNA, GARDNER, FOSTER, MUNOZ
02/22/12	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
02/22/12	(H)	Moved CSHB 264(CRA) Out of Committee
02/22/12	(H)	MINUTE(FIN)
02/24/12	(H)	FIN RPT CS(CRA) 5DP 3NR
02/24/12	(H)	DP: NEUMAN, GARA, EDGMON, STOLTZE, THOMAS
02/24/12	(H)	NR: FAIRCLOUGH, T.WILSON, DOOGAN
03/26/12	(H)	TRANSMITTED TO (S)
03/26/12	(H)	VERSION: CSHB 264(CRA)
03/28/12	(S)	READ THE FIRST TIME - REFERRALS
03/28/12	(S)	CRA
04/03/12	(S)	CRA AT 3:30 PM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

DAVID SCOTT, Staff  
 Senator Donald Olson  
 Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** Explained the amendment for SB 223.

BRIDIE TRAINOR, Director  
 Wellness Program  
 Kawerak, Inc.  
 Nome, Alaska

**POSITION STATEMENT:** Supported SB 223.

MICHAEL WILLIAMS, Revenue Auditor  
 Treasury Division  
 Department of Revenue  
 Anchorage, Alaska

**POSITION STATEMENT:** Answered questions related to SB 223.

REPRESENTATIVE CATHY MUNOZ  
 Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** Sponsor of HB 264.

DARRELL BOURNE, Secretary  
Board of Directors  
Alaska State Home Builders Association  
Fairbanks, Alaska  
**POSITION STATEMENT:** Supports HB 264.

DAVID OWENS, Legislative Chair  
Alaska State Home Building Association  
Palmer, Alaska  
**POSITION STATEMENT:** Supported HB 264.

CHARLES EDWARDSON, President  
Alaska State Home Builders Association  
Ketchikan, Alaska  
**POSITION STATEMENT:** Supported HB 264.

BRUCE GRIGGS, Contractor  
SJS Excavation  
Juneau, Alaska  
**POSITION STATEMENT:** Supported HB 264.

DAVID HANNA  
General Contractor  
Juneau, Alaska  
**POSITION STATEMENT:** Supported HB 264.

#### **ACTION NARRATIVE**

[3:34:06 PM](#)

**CHAIR DONALD OLSON** called the Senate Community and Regional Affairs Standing Committee meeting to order at 3:34 p.m. Present at the call to order were Senators Wagoner, Kookesh, and Chair Olson. Senator Menard arrived soon thereafter.

#### **SB 223-TAX CRED: CONTR. TO HOMELESS SHELTER/DETOX**

[3:34:29 PM](#)

**CHAIR OLSON** announced the consideration of SB 223, which relates to a tax credit for homeless shelters and detoxification facilities. The bill was heard three previous times.

**DAVID SCOTT**, Staff, Senator Donald Olson, Alaska State Legislature, said the committee amended the bill during the last hearing and it was held in committee to provide time for the public review the change and comment. The committee has since

received letters of support from the Covenant House and the Alaska Network on Domestic Violence.

CHAIR OLSON asked Mr. Scott to review the bill briefly.

3:35:50 PM

SENATOR MENARD joined the meeting.

MR. SCOTT explained that the bill provides a tax credit up to \$200,000 to a business that donates to a nonprofit organization that provides emergency shelter for the homeless or a facility for alcohol or drug detoxification. He highlighted the changes from the original bill. The credit is only available to those nonprofits established on or before January 1, 2012; there is a five-year sunset so that a future legislature can evaluate the program; and DCCED, not the taxpayer, reports to the legislature the amounts of the contributions, the recipients, and the total credit claimed.

3:37:39 PM

BRIDIE TRAINOR, Director, Kawerak Wellness Program, Kawerak, Inc., said she was also testifying on behalf of the regional wellness forum. She stated support for SB 223 and noted that a letter of support was also sent by the regional wellness forum. She said the tax credit bill is an excellent way for the state to increase funding for homeless or facilities that provide alcohol and drug detoxification services.

MS. TRAINOR said the regional hospital in Nome is constantly helping people who should either be referred to a detoxification center or admitted to an inpatient treatment facility, but are instead held in jail temporarily. She cited alcohol-related statistics since the Nome treatment center closed in 2000. She said services to help the homeless population in Nome and throughout Alaska are also needed; many in this population have died of exposure. She urged passage of SB 223.

CHAIR OLSON asked Mr. Williams what fiscal impact SB 223 will have for the state.

3:39:51 PM

MICHAEL WILLIAMS, Auditor, Treasury Division, Department of Revenue, stated that the fiscal note is indeterminate; it would be based on the amount that corporations decide to give to these nonprofit organizations.

CHAIR OLSON asked what DOR anticipates in five years.

MR. WILLIAMS declined to speculate until a fiscal note is prepared for version E.

CHAIR OLSON surmised that the impact would be negligible, given the size of the state's budget.

MR. WILLIAMS responded that DOR believes it would be able to administer the provision under existing budgets and staff. The fiscal note would reflect zero cost, but there was no estimate at this time on the revenue impact.

CHAIR OLSON asked Mr. Scott if he had closing comments.

MR. SCOTT stated that there is a problem in Alaska with homelessness and chronic alcohol abuse. The bill seeks to encourage help from local philanthropic organizations.

[3:42:05 PM](#)

SENATOR MENARD commented that homelessness and alcohol abuse affects everyone. She urged support for the bill.

CHAIR OLSON found no further questions or discussion and asked the will of the committee.

[3:43:03 PM](#)

SENATOR WAGONER moved to report CS for SB 223(CRA) from committee with individual recommendations and attached fiscal note(s).

[3:43:28 PM](#)

CHAIR OLSON announced that without objection CSSB 223(CRA) moved from the Senate Community and Regional Affairs Standing Committee.

At ease from 3:43 p.m. to 3:45 p.m.

**HB 264-MUNI PROPERTY TAX DEFERRAL: SUBDIVISIONS**

[3:45:05 PM](#)

CHAIR OLSON announced the consideration of HB 264, which relates to a municipal property tax deferral for subdivisions.

[3:46:58 PM](#)

REPRESENTATIVE CATHY MUNOZ, Alaska State Legislature, sponsor of HB 264 introduced the bill speaking to the following sponsor statement:

Passage of House Bill 264 will give municipalities the option to provide an incentive to develop land for housing by deferring for up to five years a property tax increase associated with subdividing a piece of property into three or more parcels.

The measure would give municipalities the flexibility to defer increases in property taxes on subdivided parcels until a lot is sold or a city grants a building permit for that piece of property. It would allow a local government to adopt the optional deferral for all or a portion of a subdivided portion. It would let a municipality decide the terms of paying the tax deferral and when those payments would be due.

Supporters of this measure say it would remove a disincentive for developing privately owned property by holding taxes at the undeveloped land value until improvements occur that lead to a parcel's being developed and sold - thus becoming more valuable and capable of generating more revenues for local governments that choose to exercise this option.

The purpose of the bill is to encourage land development for more housing and let local governments decide whether a property tax deferral will benefit them.

[3:47:38 PM](#)

SENATOR MENARD noted that the Alaska Municipal League (AML) submitted a letter opposing HB 264. She asked if anything had changed since that letter was written.

REPRESENTATIVE MUNOZ responded that AML was neutral on the bill. She emphasized that this was a tax deferral not an exemption and it was optional.

SENATOR MENARD summarized her understanding of the bill and AML's opposition.

REPRESENTATIVE MUNOZ said the intent was always to provide an option for a tax deferral, but the original title said "exemption" and AML is generally opposed to bills that exempt property taxes. AML has since withdrawn its objection and is now neutral on the legislation.

SENATOR MENARD suggested that if AML revised its position it should be clarified in the bill packet.

[3:50:02 PM](#)

REPRESENTATIVE MUNOZ said she agreed.

SENATOR WAGONER asked who would eventually pay the deferred tax.

REPRESENTATIVE MUNOZ answered that the responsibility lies with the developer and the deferred tax is due when the lot sells.

CHAIR OLSON asked if the purchaser actually pays.

REPRESENTATIVE MUNOZ answered that it becomes part of the carrying cost for the development of the land. The bill allows the developer to move forward without the additional carrying costs of ongoing property tax from increased assessments. This makes development in communities more likely.

SENATOR MENARD reviewed the provisions and asked for confirmation that the developer would eventually pay the deferred taxes.

REPRESENTATIVE MUNOZ said yes; it is an optional provision for up to five years on all or a portion of the parcels in a subdivision.

SENATOR MENARD asked who would decide if the deferral is for all the parcels or just a portion.

REPRESENTATIVE MUNOZ answered that it would be done by municipal ordinance.

SENATOR MENARD asked if municipalities negotiated for that.

REPRESENTATIVE MUNOZ answered no; optional property tax exemptions and deferrals must be instigated by the municipality through ordinance.

SENATOR KOOKESH asked how she decided that three parcels constitutes a subdivision.

REPRESENTATIVE MUNOZ said the intent was to avoid the situation of an individual subdividing their property into two lots and not developing one in order to defer taxes. The legislation seeks to increase housing stock in the community.

[3:53:16 PM](#)

SENATOR KOOKESH asked for clarification that dividing a piece of property into two parcels is not considered a subdivision but three parcels is considered a subdivision.

REPRESENTATIVE MUNOZ reiterated her previous answer.

CHAIR OLSON commented the intention is to keep property owners from manipulating the system.

REPRESENTATIVE MUNOZ responded that she would hope to avoid that.

SENATOR MENARD asked how many Alaskans own five acres.

REPRESENTATIVE MUNOZ said she could not speak to the number of parcels this would affect, but Juneau has a very limited land base and the bill seeks to encourage more development of that limited land base. .

CHAIR OLSON asked how this would affect second-class cities that do not have a property tax.

REPRESENTATIVE MUNOZ answered that in areas where there is no planning and zoning authority, the deferral would end when a property is developed or sold.

CHAIR OLSON asked how properties in the unorganized borough would be affected.

REPRESENTATIVE MUNOZ reiterated that in those jurisdictions without a permitting authority, the deferral ends when a house is built or a lot is sold.

CHAIR OLSON opened public testimony.

[3:56:07 PM](#)

DARRELL BOURNE, Secretary, Board of Directors, Alaska State Home Builders Association, and President Interior Alaska Building Association, testified in support of HB 264. He relayed his experience as a partner in a 52-acre subdivision outside of Fairbanks. The roads and power were completed five years ago and two ten-acre parcels were subdivided so that he and his partner could build new homes. However, the new home market has been soft and they have sold just three homes. The only interest is from the higher-end market and those people want the riverfront lots that have yet to be subdivided.

MR. BOURNE said that if the Fairbanks North Star Borough were to adopt this amendment, he was confident that he and his partner could accommodate two people who were interested in having homes built this summer. HB 264 would have a positive effect on Fairbanks builders and the local government tax base, he stated.

[3:59:24 PM](#)

SENATOR MENARD asked if he was referring to spec or custom homes.

MR. BOURNE answered he was talking about custom homes. If HB 264 were to pass, he could subdivide four or five riverfront lots, sell two, and have up to five years to sell the others before he had to pay the higher taxes.

CHAIR OLSON asked if there are developers that might go bankrupt if this bill did not pass.

MR. BOURNE answered that he did not know, but this year is the most difficult in recent years. He added that the bill would directly affect him and one or two others in the association.

SENATOR MENARD asked if the high-energy costs in Fairbanks were a factor in the soft new home market.

MR. BOURNE answered yes.

[4:02:15 PM](#)

DAVID OWENS, Legislative Chair, Alaska State Home Builders Association, testified in support of HB 264. It is expensive to develop property so it would be beneficial to be able to defer the higher taxes until the lots are sold. It would encourage development of an entire subdivision instead the piecemeal approach. He encouraged the committee to pass the bill.

[4:03:37 PM](#)

CHARLES EDWARDSON, President, Alaska State Home Builders Association and Workforce Development Director, Ketchikan Indian Community (KIC), testified in support of HB 264. He relayed that KIC is developing 19 city lots to construct affordable housing. If the municipality takes advantage of the provisions in HB 264, it might accelerate this development. He reiterated support for the bill.

[4:06:27 PM](#)

BRUCE GRIGGS, Contractor, SJS Excavation, said he had been a developer in the Juneau area for 15 years. He described a seven-

lot subdivision near McDonalds that he had worked on for six years. The property tax on the raw piece of land was about \$1,000 per month, but it increased to \$3,500 per month as soon as the property was platted. To date, he and his family have paid an additional \$62,000 in property tax on that parcel. He relayed that he was afraid to submit the plat and apply for permits on another much larger parcel because the property tax would immediately increase before any development takes place. It does not make economic sense to move ahead.

CHAIR OLSON asked how developers stay in business.

MR. GRIGGS acknowledged that it was a good question. He described a development from several years ago that was a "homerun," but since then the market dropped.

SENATOR WAGONER pointed out that this does not guarantee that the borough will change the tax policy.

MR. GRIGGS responded that the City and Borough of Juneau (CBJ) indicated it would adopt this option.

SENATOR MENARD asked if he had appealed the assessment.

MR. GRIGGS said \$3,500 a month was the appealed price.

SENATOR MENARD relayed a personal experience.

[4:15:02 PM](#)

DAVID HANNA, General Contractor, testified in support of HB 264. He said he had been floating this idea for 10 years and Representative Munoz was the first legislator to bring it forth. He said not everybody understands how difficult it is for developers to get things done in many parts of Alaska. Developing a subdivision is a time-consuming, costly process, and property taxes increase before a shovelful of dirt is turned. This causes developers to hold back and sometimes they miss a boom. Even sadder is when a developer is sitting on a subdivision, paying higher taxes, and has no sales. Often the developer will not go forward with the subdivision. This creates a diminished basis of land available for people to build houses. HB 264 will help this situation.

SENATOR MENARD asked if banks were holding back on lines of credit.

MR. HANNA confirmed that it was much more difficult to get a loan for any speculative venture.

SENATOR MENARD observed that that was another strong argument in support of the bill.

CHAIR OLSON questioned why boroughs and municipalities couldn't do this individually in order to encourage development.

[4:21:21 PM](#)

REPRESENTATIVE MUNOZ said state law requires property to be assessed at fair market value, so as soon as a subdivision plat is approved the municipality is compelled to adjust the assessment even though no work has occurred.

She thanked the committee for hearing the bill and opined that it was a good piece of legislation. It is flexible and incorporates the concerns of municipalities throughout the state.

CHAIR OLSON held HB 264 in committee.

[4:23:14 PM](#)

There being no further business to come before the committee, Chair Olson adjourned the Senate Community and Regional Affairs Standing Committee meeting at 4:23 p.m.