

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

April 12, 2016

3:36 p.m.

MEMBERS PRESENT

Senator Click Bishop, Chair
Senator Lyman Hoffman
Senator Anna MacKinnon
Senator Dennis Egan

MEMBERS ABSENT

Senator Bert Stedman, Vice Chair

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 370(CRA) AM

"An Act relating to military facility zones; and relating to a municipal tax exemption or deferral for economic development property."

- HEARD & HELD

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 209(FIN)

"An Act relating to an Alaska Water and Sewer Advisory Committee; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 370

SHORT TITLE: MUNICIPAL TAX EXEMPTIONS

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

03/09/16	(H)	READ THE FIRST TIME - REFERRALS
03/09/16	(H)	CRA
03/24/16	(H)	CRA AT 8:00 AM BARNES 124
03/24/16	(H)	Heard & Held
03/24/16	(H)	MINUTE(CRA)
03/29/16	(H)	CRA AT 8:00 AM BARNES 124
03/29/16	(H)	Heard & Held
03/29/16	(H)	MINUTE(CRA)
03/31/16	(H)	CRA AT 8:00 AM BARNES 124

03/31/16 (H) Moved CSHB 370(CRA) Out of Committee
03/31/16 (H) MINUTE(CRA)
04/01/16 (H) CRA RPT CS(CRA) NT 5DP 1NR
04/01/16 (H) DP: NAGEAK, SEATON, HUGHES, ORTIZ,
TILTON
04/01/16 (H) NR: REINBOLD
04/07/16 (H) TRANSMITTED TO (S)
04/07/16 (H) VERSION: CSHB 370(CRA) AM
04/07/16 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
04/07/16 (S) -- MEETING CANCELED --
04/08/16 (S) READ THE FIRST TIME - REFERRALS
04/08/16 (S) CRA, FIN
04/12/16 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)

BILL: HB 209

SHORT TITLE: WATER AND SEWER ADVISORY COMMITTEE

SPONSOR(s): FOSTER

04/19/15 (H) READ THE FIRST TIME - REFERRALS
04/19/15 (H) CRA, FIN
03/17/16 (H) CRA AT 8:00 AM BARNES 124
03/17/16 (H) Heard & Held
03/17/16 (H) MINUTE(CRA)
03/24/16 (H) CRA AT 8:00 AM BARNES 124
03/24/16 (H) Moved CSHB 209(CRA) Out of Committee
03/24/16 (H) MINUTE(CRA)
03/25/16 (H) CRA RPT CS(CRA) 6DP 1NR
03/25/16 (H) DP: DRUMMOND, NAGEAK, SEATON, HUGHES,
ORTIZ, TILTON
03/25/16 (H) NR: REINBOLD
04/04/16 (H) FIN AT 1:30 PM HOUSE FINANCE 519
04/04/16 (H) Moved CSHB 209(FIN) Out of Committee
04/04/16 (H) MINUTE(FIN)
04/05/16 (H) FIN RPT CS(FIN) 7DP
04/05/16 (H) DP: SADDLER, KAWASAKI, GUTTENBERG,
GATTIS, EDGMON, MUNOZ, THOMPSON
04/08/16 (H) TRANSMITTED TO (S)
04/08/16 (H) VERSION: CSHB 209(FIN)
04/09/16 (S) READ THE FIRST TIME - REFERRALS
04/09/16 (S) CRA
04/12/16 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

REPRESENTATIVE CATHY TILTON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: HB 370 sponsor.

HEATH HILYARD, Staff
Representative Tilton
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided a sectional analysis for HB 370.

CHRISTOPHER SCHUTTE, Director
Office of Economic and Community Development for the
Municipality of Anchorage
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 370.

RON LONG, Assistant City Manager and Community Development
Director
City of Seward
Seward, Alaska

POSITION STATEMENT: Testified in support of HB 370.

KATHIE WASSERMAN, Executive Director
Alaska Municipal League
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 370.

REPRESENTATIVE NEAL FOSTER
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of HB 209.

PAUL LABOLLE, Staff
Representative Foster
Juneau, Alaska

POSITION STATEMENT: Provided an overview of HB 209.

ACTION NARRATIVE

[3:36:32 PM](#)

CHAIR CLICK BISHOP called the Senate Community and Regional Affairs Standing Committee meeting to order at 3:36 p.m. Present at the call to order were Senators Egan, Hoffman, and Chair Bishop.

HB 370-MUNICIPAL TAX EXEMPTIONS

[3:37:58 PM](#)

CHAIR BISHOP announced the consideration of HB 370.

[3:38:09 PM](#)

SENATOR HOFFMAN moved that Senate committee substitute (SCS) for CSHB 370, [version: 29-LS1551\P], be used as the committee's working document.

CHAIR BISHOP objected for discussion purposes.

[3:38:47 PM](#)

REPRESENTATIVE CATHY TILTON, Alaska State Legislature, Juneau, Alaska, read her sponsor's statement as follows:

HB 370 is a bill that is about flexibility and local control to encourage new investments in our state and local municipalities; it amends a current statute that allows for exemptions or deferrals on economic development properties for an initial five-year period with the option for renewal after that. The five-year period was found to be too restrictive for many of the municipalities to be able to use that and become an effective economic development tool; the CS before you would extend it up to 30 years to help incentivize large-scale projects.

When we were looking for identifying some projects that had been used in the statute which has been around for nearly 30 years, we found that there were very few projects that were able to fall under the statute guidelines as it were because of the restrictiveness. There has been language included in the new version that is before you to provide some sideboards in an effort to protect service areas and taxes levied in those service areas. The provisions stipulate that if a municipality has a service-area board that could be impacted that that board has a formal say in approving the exemption or the deferral.

Additional provisions stipulate that factors must be considered in providing this exemption for more deferrals and those factors are that it must enable significant capital investment in physical infrastructure, it must expand the tax base of the municipality and will generate property tax revenue after the exemption expires.

[3:40:05 PM](#)

SENATOR MACKINNON joined the committee meeting.

[3:41:10 PM](#)

REPRESENTATIVE TILTON noted that Section 1 of the bill's newest version was added at the request of a member from the Alaska House Interior Delegation. She specified that Section 1 pertained to Military Facility Zones and detailed that the provision would allow Military Facility Zones to be established through zoning ordinances. She summarized that HB 370 would provide municipalities with greater flexibility and control.

[3:41:41 PM](#)

At ease.

[3:42:01 PM](#)

CHAIR BISHOP called the committee back to order.

[3:42:07 PM](#)

HEATH HILYARD, Staff, Representative Tilton, Alaska State Legislature, Juneau, Alaska, said HB 370 had two sections. The first section dealt entirely with Military Facility Zones. He revealed that the Fairbanks North Star Borough wanted zoning ordinance flexibility to support economic development at Fort Wainwright and Eielson Air Force Base (AFB), especially with the recent decision to base F-35 squadrons at Eielson AFB.

MR. HILYARD explained that the bill's second section would allow assemblies to offer 30-year property tax exemptions or deferrals for large-scale projects. He noted that HB 370 originally provided assemblies with the ability to offer an unspecified timeframe for exemptions or deferrals, but was changed to 20 years. He revealed that some municipalities voiced their concern that 20 years was still too narrow for large-scale projects. He divulged that the House included sideboard language where service areas with service-area boards with two or more members would have a formal vote to approve exemptions or deferrals.

[3:44:46 PM](#)

He set forth that the bill's significant portion for new language to the statute was found on page 4, lines 7-11 as follows:

An exemption or deferral on the property enables significant capital investment of physical infrastructure that: expands the tax base of the

municipality, and will generate property tax revenue after the exemption expires.

[3:46:00 PM](#)

SENATOR MACKINNON asked what the meaning was for the term "significant capital."

MR. HILYARD replied that the term was up to the local assemblies to determine.

SENATOR MACKINNON addressed the 30-year exemption and noted that while she served on the Anchorage Assembly, an economic development project received an exemption and nothing happened to the property. She remarked that she was worried about 20 year or 30-year exemptions. She asked if there was a provision that would allow local assemblies to go back and remove exemptions if there was no activity or active economic development on the exempted property.

MR. HILYARD replied that assemblies would have the option to extend up to 30 years on a case-by-case basis. He reiterated that the bill's intent was to provide municipalities with flexibility.

[3:48:24 PM](#)

SENATOR MACKINNON asked if the bill allowed assemblies to take away exemptions if there was no economic development.

MR. HILYARD replied that an assembly may repeal an exemption at any point because the exemption was done by ordinance.

SENATOR EGAN noted that the City and Borough of Juneau had exempted the Alaskan Brewing Company for five years. He detailed that the Alaskan Brewing paid back what they owed, the city made a great return, and the company went on to become a very successful business. He noted that the exemption could have been withdrawn at any time.

MR. HILYARD confirmed that the statute provisions regarding the ability to withdraw an exemption was not changed by the bill.

[3:50:53 PM](#)

CHRISTOPHER SCHUTTE, Director, Office of Economic and Community Development for the Municipality of Anchorage, Anchorage, Alaska, stated that HB 370 would grant additional flexibility to local jurisdictions to adopt specific tools to achieve their economic development goals. He noted that recognizing community

investment in underlying infrastructure for private-sector investment was a crucial tool for Anchorage's economic and community development.

[3:53:47 PM](#)

CHAIR BISHOP addressed Mr. Schutte's letter of support and quoted a portion of his letter as follows:

It is important to note that HB 370 does not change current law regarding abatement of the portion of local property taxes allocated to a school district for the muni-match for education funding. Only after the education requirement is met can the property tax revenue be exempted or deferred.

He asked Mr. Schutte to confirm that education taxes would continue to be paid by the exempted property.

MR. SCHUTTE answered correct. He specified that service areas in the school districts would continue to receive the funding or at least the portion of the tax revenue that was a source of their funding.

[3:55:02 PM](#)

RON LONG, Assistant City Manager and Community Development Director, City of Seward, Seward, Alaska, remarked that the ability to provide a 30-year exemption would allow for supporting bigger projects that were more capital intensive. He set forth that Seward recognized that the city would have to take more initiative at the local level to support the bigger projects and not rely so much on the state. He noted that the 30-year exemption aligned fairly closely with some lending institutions' criteria. He said HB 370 would add flexibility at the local level for more self-determination while keeping some protections and sideboards intact. He said he would prefer to address rescinding exemptions for projects on the front-end with sideboards and performance standards built into the enabling ordinance.

[3:58:23 PM](#)

KATHIE WASSERMAN, Executive Director, Alaska Municipal League (AML), Juneau, Alaska, set forth that AML supported HB 370. She said due to the state's fiscal crisis, AML was encouraging communities to look at all of its tools in order to raise revenues. She pointed out that the bill does not impact the state, has safety nets for a municipality to repeal, and allows for local control. She addressed Senator MacKinnon's question on

the meaning of "significant capital" and remarked that the financial level was different for each community. She remarked that most municipalities were aware of their financial status and should be able to hopefully choose wisely to protect their taxpayers.

SENATOR MACKINNON asked if her testimony for local control was consistent with what she provided to Senate Finance regarding property tax exemptions.

MS. WASSERMAN answered yes.

SENATOR MACKINNON asked Ms. Wasserman to verify that AML wants local control for municipalities to remove their ability to collect taxes on property, but AML does not want the state to give municipalities local control to control its fate on property.

MS. WASSERMAN specified that the AML Board decided not to take over the senior citizens' property tax exemptions due to cuts to seniors at the time as well as other reasons. She noted that many people thought the transfer meant senior citizens' property exemptions were gone, but that was nowhere close to the truth.

[4:01:25 PM](#)

CHAIR BISHOP closed public testimony.

[4:01:39 PM](#)

CHAIR BISHOP removed his objection and announced that HB 370 would be held in committee.

[4:02:03 PM](#)

At ease

HB 209-WATER AND SEWER ADVISORY COMMITTEE

[4:03:29 PM](#)

CHAIR BISHOP announced the consideration of HB 209.

[4:03:51 PM](#)

REPRESENTATIVE NEAL FOSTER, Alaska State Legislature, Juneau, Alaska, sponsor of HB 209, introduced himself.

[4:04:04 PM](#)

PAUL LABOLLE, Staff, Representative Foster, Juneau, Alaska, explained that HB 209 would establish a 10-member Water and Sewer Advisory Committee to focus on ways the state could do

projects better, cheaper, and faster. He detailed that the committee would address how to implement new technologies as well as how to better coordinate with agencies that are involved.

MR. LABOLLE explained that the committee members would be appointed by a specified definition that was found in the bill on page 4, line 2. He detailed that the definition was derived from the Alaska Department of Environmental Conservation's Village Safe Water Program's list of unserved communities.

CHAIR BISHOP said he read HB 209 and could sense Representative Foster's frustration as somebody that represented rural Alaska. He remarked that "overbuilt" rather than "low cost and affordable-to-maintain" systems were installed in rural Alaska. He asked if his assessment was correct.

[4:06:20 PM](#)

REPRESENTATIVE FOSTER answered yes.

[4:06:38 PM](#)

CHAIR BISHOP announced that HB 209 would be held in committee.

[4:06:57 PM](#)

There being no further business to come before the Senate Community and Regional Affairs Committee, Chair Bishop adjourned the committee meeting at 4:06 p.m.