

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

April 25, 2019

8:02 a.m.

**MEMBERS PRESENT**

Representative Harriet Drummond, Co-Chair  
Representative Sara Hannan, Co-Chair  
Representative Matt Claman  
Representative Jonathan Kreiss-Tomkins  
Representative Steve Thompson

**MEMBERS ABSENT**

Representative Sharon Jackson  
Representative Josh Revak

**COMMITTEE CALENDAR**

HOUSE BILL NO. 81

"An Act prohibiting disposable plastic shopping bags; and providing for an effective date."

- MOVED CSHB 81(CRA) OUT OF COMMITTEE

HOUSE BILL NO. 76

"An Act relating to a state residential code, the Alaska Housing Finance Corporation, and municipal building codes."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 81

SHORT TITLE: PROHIBIT PLASTIC RETAIL BAGS

SPONSOR(S): REPRESENTATIVE(S) JOSEPHSON

03/06/19	(H)	READ THE FIRST TIME - REFERRALS
03/06/19	(H)	CRA, L&C
04/04/19	(H)	CRA AT 8:00 AM BARNES 124
04/04/19	(H)	Heard & Held
04/04/19	(H)	MINUTE(CRA)
04/09/19	(H)	CRA AT 8:00 AM BARNES 124
04/09/19	(H)	Heard & Held
04/09/19	(H)	MINUTE(CRA)
04/25/19	(H)	CRA AT 8:00 AM BARNES 124

BILL: HB 76

SHORT TITLE: RESIDENTIAL BUILDING CODE; AHFC; MUNIS.

SPONSOR(S): REPRESENTATIVE(S) RASMUSSEN

02/27/19 (H) READ THE FIRST TIME - REFERRALS  
02/27/19 (H) CRA, L&C  
04/25/19 (H) CRA AT 8:00 AM BARNES 124

**WITNESS REGISTER**

ELISE SORUM-BIRK, Staff  
Representative Andy Josephson  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions on behalf of Representative Josephson, prime sponsor of HB 81.

REPRESENTATIVE ANDY JOSEPHSON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, answered questions pertaining to HB 81.

REPRESENTATIVE RASMUSSEN  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, presented HB 76.

MARY APAREZUK, Staff  
Representative Sarah Rasmussen  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 76 on behalf of Representative Rasmussen, prime sponsor.

JOHN ANDERSON, Director  
Research & Rural Development  
Alaska Housing Finance Corporation (AHFC)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 76.

STACEY BARNES, Director  
Governmental Relations and Public Affairs  
Alaska Housing Finance Corporation (AHFC)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 76.

RICHARD CARR, President  
Alaska State Home Building Association (ASHBA)  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in support of HB 76.

JOHN BITNEY, Lobbyist  
Alaska State Home Building Association (ASHBA)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 76.

CHRIS ROSE, Executive Director  
Renewable Energy Alaska Project (REAP)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 76.

PAUL GROSSI  
Alaska State Pipe Trades  
(No address provided)

**POSITION STATEMENT:** Testify during the hearing on HB 76.

BRAD AUSTIN, Training Coordinator  
Alaska State Pipe Trades  
(No address provided)

**POSITION STATEMENT:** Testified during the hearing on HB 76.

TERRE GALES, Deputy Director  
Division of Labor Standards and Safety  
Department of Labor & Workforce Development (DLWD)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 76.

VICTOR BANASZAK  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 76.

#### **ACTION NARRATIVE**

[8:02:57 AM](#)

**CO-CHAIR SARA HANNAN** called the House Community and Regional Affairs Standing Committee meeting to order at 8:02 a.m. Representatives Drummond, Thompson, Claman, and Hannan were

present at the call to order. Representative Kreiss-Tomkins arrived as the meeting was in progress.

**HB 81-PROHIBIT PLASTIC RETAIL BAGS**

[8:04:15 AM](#)

CO-CHAIR HANNAN announced that the first order of business would be HOUSE BILL NO. 81, "An Act prohibiting disposable plastic shopping bags; and providing for an effective date."

[8:04:55 AM](#)

REPRESENTATIVE CLAMAN noted that a National Public Radio (NPR) article had been circulated regarding the economics of plastic, paper, and cloth bags, as well as the issue of carbon footprints. He asked for the bill sponsor's response.

[8:05:37 AM](#)

ELISE SORUM-BIRK, Staff, Representative Andy Josephson, Alaska State Legislature, on behalf of Representative Josephson, prime sponsor of HB 81, said the sponsor's staff looked into the issue once that article had been brought to their attention. She stated that plastic bags being less expensive and easier to produce does not eliminate the issue that plastic bags are a major source of marine debris and pollution. She added that the smaller carbon footprint involved in the production of plastic versus cloth bags does not "eliminate why we should be getting rid of them."

[8:06:50 AM](#)

CO-CHAIR HANNAN handed the gavel to Co-Chair Drummond.

[8:06:55 AM](#)

CO-CHAIR HANNAN moved to adopt Amendment 1 to HB 81, labeled 31-LS0205\A.1, Nauman, 4/17/19, which read as follows:

Page 2, lines 19 - 27:

Delete all material and insert:

"(2) "retail seller" includes a market, grocery store, convenience store, drug store, or other retail establishment that

(A) sells goods to consumers; and

(B) is located in a permanent building;"

[8:07:04 AM](#)

REPRESENTATIVE THOMPSON objected for purposes of discussion.

CO-CHAIR HANNAN spoke to Amendment 1. She said under HB 81, "a retail establishment selling over \$250,000 worth of goods" would have to "comply with the law." Amendment 1 would bring that threshold down so that any retail establishment located in a "permanent building" would have to comply with the law.

[8:08:22 AM](#)

REPRESENTATIVE ANDY JOSEPHSON, Alaska State Legislature, as prime sponsor of HB 81, said he would not be opposed to Amendment 1. He surmised that "some accommodations like this will have to be made" as the bill moves forward. He indicated that the [reason] for the \$250,000 threshold had to do with a colleague from the North Slope who had expressed that "it might be better for small communities" because of "the practicality of enforcement and the size of some of these businesses."

[8:09:08 AM](#)

REPRESENTATIVE THOMPSON withdrew his objection to Amendment 1. There being no further objection, Amendment 1 was adopted.

[8:09:31 AM](#)

CO-CHAIR HANNAN moved to report HB 81, as amended, out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection CSHB 81(CRA) was reported out of the House Community and Regional Affairs Standing Committee.

[8:10:00 AM](#)

The committee took an at-ease from 8:10 a.m. to 8:12 a.m. [During the at-ease, Co-Chair Drummond handed the gavel back to Co-Chair Hannan.]

**HB 76-RESIDENTIAL BUILDING CODE; AHFC; MUNIS.**

[8:12:13 AM](#)

CO-CHAIR HANNAN announced that the final order of business would be HOUSE BILL NO. 76, "An Act relating to a state residential

code, the Alaska Housing Finance Corporation, and municipal building codes."

[8:13:08 AM](#)

REPRESENTATIVE RASMUSSEN, Alaska State Legislature, as prime sponsor of HB 76, said the legislation was brought to her as a priority by the Alaska State Home Building Association. She said standardized residential codes are helpful in numerous ways, including "public health, safety, cost-savings, quality, insurance, and protection." She said as a residential appraiser, she strongly supports a statewide residential code. She said the November 30, 2018, 7.1 magnitude earthquake resulted in a loss of property for some Anchorage residents, and Alaska's natural disasters illustrate the need for a statewide residential code. She indicated it was the strict standards of the Municipality of Anchorage that prevented loss of life during the aforementioned earthquake, illustrating why the rest of the state should adopt such standards. Representative Rasmussen said in adopting statewide standard codes, Alaska would join 41 states, Washington, D.C., and two territories. She indicated that the code that would be adopted would be a "well-vetted, international" one.

[8:15:01 AM](#)

REPRESENTATIVE CLAMAN said he supports having a [statewide] code for both residential and commercial buildings, and he noted that HB 76 mentions only a residential code.

REPRESENTATIVE RASMUSSEN answered that the code [proposed under HB 76] would apply to properties financed through the Alaska Housing Finance Corporation (AHFC) that are single family homes and duplexes, not anything larger.

REPRESENTATIVE CLAMAN asked if that means that currently there is no code for commercial buildings and anything larger than a duplex. He noted that the bill language takes out "building" and replaces it with "residential"; therefore, he said he wonders what happens to codes for [other] buildings.

REPRESENTATIVE RASMUSSEN deferred to a representative of AHFC.

[8:16:49 AM](#)

MARY APAREZUK, Staff, Representative Sarah Rasmussen, Alaska State Legislature, on behalf of Representative Rasmussen, prime

sponsor of HB 76, offered her understanding that "there are statewide standards for commercial codes."

[8:17:09 AM](#)

JOHN ANDERSON, Director, Research & Rural Development, Alaska Housing Finance Corporation (AHFC), in response to Representative Claman's questions, stated that current commercial codes exist within the Department of Labor & Workforce Development (DLWD) and the Department of Public Safety (DPS) and would not be affected under HB 76.

REPRESENTATIVE CLAMAN asked, "Are those international codes, ... so that the building code for a five-story building in Juneau would be the same building code for a five-story building in Anchorage and in Fairbanks?"

MR. ANDERSON answered, "Yes, those codes, ... with certain specific amendments for the authorities having jurisdiction would apply to those areas, but yes, the base code would be ... the IVC, and in some cases other appropriate codes ... that are in place now."

REPRESENTATIVE CLAMAN offered his understanding that the baseline code for residential building would be the international building code, but municipalities, such as Anchorage, could decide to have "higher standards relating to earthquakes."

MR. ANDERSON answered that is correct. He said his understanding of [HB 76] is that it would set the standard of the international residential code for the base.

REPRESENTATIVE CLAMAN asked why this has not been done before.

MR. ANDERSON replied that he does not know why this has not been done before, but he expressed that "this has been a very complicated issue for 25-plus years." He said, "AHFC currently has these codes and standards in process due to our statutory requirements."

[8:19:13 AM](#)

REPRESENTATIVE THOMPSON noted he was previously the mayor of Fairbanks, which is a home rule, first class city. He said two codes were put in place, one of which was the international

building code. He asked whether [HB 76] would cover areas that are unincorporated.

MR. ANDERSON answered yes. He indicated that currently AHFC accepts the "CO" of 14 jurisdictions in lieu of its own process. He offered his understanding that the intent of [HB 76] is to "establish our current process, but on a statewide level outside of those authorities having jurisdiction."

REPRESENTATIVE THOMPSON asked how the provisions under HB 76 would be monitored and administered and at what cost?

MR. ANDERSON responded that AHFC does not envision [the proposed legislation] as requiring "any type of enforcement process." He added, "AHFC currently does this right now." He said the corporation does think there would be "quality assurance over the inspection process and the authorities having jurisdiction."

REPRESENTATIVE THOMPSON clarified his concern is in regard to unincorporated areas and whether there would be inspections and associated costs during the building processes.

MR. ANDERSON explained that that is AHFC's current process. There are forms 101 and 102 for the building energy efficiency standard and the inspection processes. He said the process is easy, and although there is some cost involved, AHFC allows remote video monitoring. He added, "But you still have to be - outside of those areas - a certified [International Code Council] (ICC) inspector."

[8:23:03 AM](#)

CO-CHAIR HANNAN asked for confirmation that "that would only be for properties that AHFC is financing."

MR. ANDERSON answered that is correct.

CO-CHAIR HANNAN, to the prime sponsor, asked, "Outside of the four home rule and municipal governments that already have inspection codes and authorities, how will the enforcement be done if it is not an AHFC property?"

[8:23:38 AM](#)

REPRESENTATIVE RASMUSSEN answered that HB 76 would apply to AHFC properties.

CO-CHAIR HANNAN asked if that meant only AHFC properties.

[8:23:49 AM](#)

MS. APAREZUK said, "This is a statewide building code for all buildings to standardize code ...." She said that is what the Alaska Home Building] Association is requesting. She concluded, "But yes, this bill addresses AHFC-funded buildings."

REPRESENTATIVE RASMUSSEN, regarding cost, clarified that the forms 101 and 102, to which Mr. Anderson had previously referred, are "considered closing costs within the transaction." She said home inspections are part of a transaction typically covered by buyers. She stated, "In my mind, this is just part of a buyer protection, and they are paying a ... couple hundred dollars in transaction for peace of mind and protection and a property that's built to code."

[8:24:58 AM](#)

REPRESENTATIVE KREISS-TOMKINS, referring to Co-Chair Hannan's question, asked for confirmation that HB 76 relates only to AHFC-financed properties.

[8:25:17 AM](#)

MS. APAREZUK answered that is correct. She added that AHFC is a quasi-state agency; therefore, it does not have enforcement powers.

[8:25:34 AM](#)

REPRESENTATIVE CLAMAN provided a hypothetical scenario in which Representative Thompson and his neighbor each want to build new homes on side-by-side lots, and only Representative Thompson finances through AHFC. Representative Claman surmised that in this scenario, both Representative Thompson and his neighbor would have to follow the standardized building code that applies to every building in Fairbanks.

MS. APAREZUK responded that HB 76 would require municipalities to adopt the international code. She offered her understanding that four of Alaska's largest cities have already adopted that code. She concluded, "So, essentially, yes."

REPRESENTATIVE CLAMAN said in a similar scenario, where the place is changed to a remote area [that does not already require

the international building code], only the person financing his new home build would be required, under HB 76, to follow the code.

[8:27:24 AM](#)

REPRESENTATIVE RASMUSSEN answered yes; however, she said if the person who self-financed and chose not to comply with the code wanted to sell the house "through an AHFC program where a person had to acquire a loan," he/she would have a problem doing so. She concluded that it would not be a wise decision not to follow code at the start because of the hardship in selling later.

REPRESENTATIVE CLAMAN responded that it may not be wise, but other than repercussions in the future, "Representative Thompson's neighbor could build anything he wants."

[8:28:33 AM](#)

REPRESENTATIVE KREISS-TOMKINS, in response to the previous answer that HB 76 would relate only to AHFC-financed properties, asked if Section 3 would relate only to AHFC properties.

MS. APAREZUK answered that is correct.

[8:29:25 AM](#)

REPRESENTATIVE THOMPSON, to Representative Claman's example of the person who paid cash for a home to be built and did not follow code requirements, stated that when that person wants to sell the house, the person buying may have to get financing. He stated, "Whatever financial institute that they go to is going to require an engineering report be done, and the engineering report would have to go back and take a look at what was the code, and does it meet the code that it should have been built by?"

[8:30:03 AM](#)

CO-CHAIR HANNAN commented that she thought Mr. Anderson had said that AHFC already "does this"; therefore, she asked if HB 76 would merely, via statute, "be backing up" that which is already practiced or whether the proposed legislation would actually change "who would be covered by the code."

[8:30:40 AM](#)

MR. ANDERSON answered that "the sponsor is out front on this one." He said, "The way we read it does apply to Alaska Housing Finance [Corporation] properties in reference to mortgages or anything that we purchase." He further remarked, "Outside of that, there may be a little bit of confusion, but I'm not sure."

CO-CHAIR HANNAN rephrased her question to ask whether AHFC currently holds all construction of all properties it finances anywhere in Alaska - inside or outside of municipalities - to the international building residential code.

MR. ANDERSON responded that is correct.

[8:31:31 AM](#)

REPRESENTATIVE DRUMMOND said she was trying to understand what the problem was that HB 76 would solve.

[8:31:46 AM](#)

MS. APAREZUK answered that although some municipalities have adopted a building code, the rest of the state has not; under HB 76 there would be a statewide building code.

[8:32:09 AM](#)

REPRESENTATIVE THOMPSON offered his understanding that AHFC hires Cold Climate Housing [Research Center] (CCHRC) in rural areas.

MR. ANDERSON answered that is correct. He said AHFC administers a grant through capital appropriations, and through that grant there are "certain projects that benefit statewide processes and building techniques and cold climate applications." He said AHFC also involves CCHRC in many other projects through a request for proposal (RFP) process. He said CCHRC is "heavily involved in the research and the ... building dynamics of Alaska."

REPRESENTATIVE THOMPSON noted that CCHRC had been removed from the budget, and he asked, "Is that going to put a little kink in the works if we end up with that big cut through AHFC?"

MR. ANDERSON said he is not sure. He said, "We currently have the ability to continue with a lot of the things that we are working on. They are a great partner for us, and they have been

for many, many years. We're not sure what their operation looks like moving forward."

[8:34:06 AM](#)

REPRESENTATIVE KREISS-TOMKINS asked what percentage of residential properties statewide are financed by AHFC.

[8:34:23 AM](#)

STACEY BARNES, Director, Governmental Relations and Public Affairs, Alaska Housing Finance Corporation (AHFC), answered that approximately 20 percent of the residential properties in the state of Alaska are financed through AHFC.

REPRESENTATIVE KREISS-TOMKINS surmised that that would mean that under HB 76, a statewide building code would be created "for 20 percent of Alaska's residential properties, but the other 80 percent - unless they're in a municipality that already has a building code - are unaffected."

MS. BARNES offered her understanding that [under HB 76], "this building code would apply to new construction that would be financed in Alaska."

[8:35:25 AM](#)

MR. ANDERSON, in response to Representative Kreiss-Tomkins, clarified that under current statute, AHFC has a higher standard than [the Federal National Mortgage Association] ("Fannie Mae") or [Federal Home Loan Mortgage Corporation] ("Freddie Mac"). He said those entities do not have to "follow that process" unless they are working within one of the municipalities that currently "have that process or a standard that is equivalent and/or ... greater than ours." Outside of the areas using the standardized coding, he explained, Fannie Mae and Freddie Mac can use its own financing "and don't really have to do anything."

REPRESENTATIVE KREISS-TOMKINS clarified that he wanted to know whether the 80 percent of properties in Alaska that are not financed by AHFC and do not fall within a municipality that already has a building code would be affected under HB 76.

[8:36:32 AM](#)

MS. BARNES answered that HB 76 would apply to all communities across Alaska.

REPRESENTATIVE KREISS-TOMKINS asked the bill sponsor if she could reconcile that testimony with her previous statement that HB 76 would apply only to AHFC-financed properties. He added, "I guess on a very basic level, I want to know what the bill does, and there seems to be disparate understanding."

[8:37:05 AM](#)

MS. APAREZUK responded that according to a memorandum from Legislative Legal and Research Services, "it applies to AHFC buildings, but it also extends to municipal governments and requires that they adopt the same code." She continued as follows:

But, as I said earlier, not having an enforcement agency, ... does not - in the example ... Representative Claman stated earlier and also John Anderson - [that] people building outside of the construct may or may not follow the code. So, essentially ... I would say that there's much more far-reaching ... than the 20 percent of municipalities, et cetera, ... but I would say there are some untouched, unaffected areas without the financing.

REPRESENTATIVE KREISS-TOMKINS said he had follow-up questions but could save them for later.

[8:38:29 AM](#)

REPRESENTATIVE THOMPSON opined that "this is good," but he wishes it was farther reaching. He remarked that during the building of the Alaska Pipeline, there was a lot of substandard housing built, which came to light several years later when people tried to sell the housing. He indicated some military housing would be going up, and concern has been expressed that there will again be substandard housing built. He said he wished there was a way to enforce that and expand the area in which the code is required. He said the new houses in question are not going to be financed by AHFC. He reiterated that he would like the bill to reach farther, but recognized that "you're going to hire inspectors and all that," which would be expensive. He thanked the bill sponsor and posited that HB 76 is "a good bill."

[8:39:52 AM](#)

REPRESENTATIVE RASMUSSEN stated that she thinks part of the problem with a widespread code "outside of our jurisdiction," like Fannie Mae and Freddie Mac, is that "we'd step into federal territory where we wouldn't have jurisdiction on certain loan programs." She said she has seen questionable buildings while inspecting them, and has "no idea how a bank can finance that property." She said her intent is "to protect consumers from poorly built property." She said she is open to ideas to amend the bill to make it stronger and further protect consumers. That said, she advised that she does not want to take away the ability of someone to "cash build a property for themselves" if they are not choosing to finance through the state. She said this is an internal struggle for her.

[8:41:20 AM](#)

REPRESENTATIVE CLAMAN said he is a fan of building codes, because he doesn't like the idea of entering a house that might fall on him. He set up a scenario wherein Wells Fargo would loan money for someone to build in a city that does not currently have a code. He asked, "Do they require some kind of a building code when they're loaning on new construction?"

[8:42:17 AM](#)

REPRESENTATIVE RASMUSSEN said the answer varies greatly from loan company to loan company. She surmised that Wells Fargo would buy a mortgage that is then sold on the market, but "for new construction you're still required to do certain things during the process."

REPRESENTATIVE CLAMAN clarified that his question is specific to an unregulated part of Alaska, and in that circumstance, he asked, "What's a bank going to do?"

REPRESENTATIVE RASMUSSEN replied that an appraisal would have to be done on the property, but appraisers are not certified in building code. She said there would not be "any safeguarding on a home inspector," because a home inspection is optional.

[8:44:01 AM](#)

CO-CHAIR HANNAN announced the committee would hear invited testimony.

[8:45:04 AM](#)

RICHARD CARR, President, Alaska State Home Building Association (ASHBA), testified in support of HB 76. He thanked the bill sponsor for HB 76 and all legislators for their service to the state. He continued as follows:

The Alaska State Home Building Association is a member-driven organization comprised of six local homebuilding associations spread throughout the state. We monitor and engage in the legislative process, any bills and public policies that impact residential construction and housing. Establishing a state residential code has been a growing priority for our members. Alaska is a state that currently does not have a residential building code. A lot of thought and discussion has gone into ... this in order to bring us here today. Here's why we support HB 76:

It benefits the state of Alaska and local communities. A statewide code can reduce insurance costs across the state as communities benefit from improved [International Organization for Standardization] (ISO) readings. Having a code adopted at the state level saves resources at the local level, as individual entities will not have to spend time and financial resources going through a separate code review, amendment, and adoption process.

There is also increasing pressure to link federal mitigation grants and disaster assistance through the adoption of building codes. If such a linkage were established, states with a statewide code would be eligible for more grant funding and more disaster assistance than states without [a] statewide code.

We support HB 76 also because it benefits consumers. Having one statewide code allows product manufacturers to benefit from economies of scale, as the same product and set of products will comply with the code in all parts of the state. This can result in cost savings, which can be passed on to the consumer. Also, homebuyers would have the security of knowing any home built in the state meets a widely accepted minimum standard for construction. As new additions of a code are adopted statewide, consumers benefit from homes that can incorporate new, improved, and/or

innovative building products and materials and methods of construction.

[8:48:39 AM](#)

The November thirtieth earthquake also demonstrated the difference between homes built with building codes and those without.

There ... [are] also benefits to builders. Builders who work in multiple cities and boroughs benefit from the consistency in requirements provided by adopting a statewide code. When code adoption happens at local level, a builder working in multiple communities and jurisdictions may end up having to comply with a patchwork of codes, code additions, and local amendments. This can lead to more rounds of plan review and debates with building officials over local interpretations. A consistent set of statewide building codes can lead to more consistent enforcement across the state and thus fewer conflicts between builders and building officials. In a word, it would be more efficient.

In conclusion, HB 76 is a good bill, because it creates a starting point. Adopting the 2018 International Residential Code as the statewide code within AHFC provides a benchmark for housing construction. ... The bill does not create any enforcement measures or penalties. Instead, we will work with AHFC to create a standard code across the state for local governments and builders to use when they establish their own codes and standards.

MR. CARR expressed his hope that he could provide the committee with the information necessary to advance HB 76.

[8:50:33 AM](#)

REPRESENTATIVE KREISS-TOMKINS asked where Mr. Carr has seen the greatest need for HB 76.

MR. CARR said the damage done by the November 2018 earthquake in Anchorage did not surprise him, because he had seen construction he characterized as "ready to go any day." He said he has done a lot of inspections; currently he builds in the Matanuska-Susitna (Mat-Su) Valley. He said one home he looked at had no

rebar in the footer underneath the foundation stem wall; as a result the footer cracked, and the house suffered great damage when the earthquake hit. He said many areas in the Mat-Su Valley do not have building inspectors and would benefit from a statewide code. He emphasized the importance of home inspections when closing on a loan. He emphasized it is worth the cost.

REPRESENTATIVE KREISS-TOMKINS asked Mr. Carr if there are other parts of the state with high rates of shoddy construction.

MR. CARR answered, "I think if you get away from any of the building department jurisdictions, you risk the potential for a shoddy building - no one is watching it, and they have no standard, no benchmark to work by." He advised that a statewide building code would at least give a benchmark for builders to follow. He said most of the builders he surrounds himself with are competent and honorable, and they build great homes and buildings; however, he knows a few that do not. He added, "I think a statewide building code might pitchfork them into doing the right thing."

REPRESENTATIVE KREISS-TOMKINS suggested that the builder who erected the home with no rebar in the stem wall may have been lacking in scruples. He asked how the existence of the building code proposed under HB 76, without enforcement, would have changed that behavior.

MR. CARR answered that as a businessman, he would never risk building a home that would not meet code, because if something happened, "there would be lawyers lined up behind the homeowner to get after me." He said that is not his reason for [building safe structures] - he is an honorable builder; however, at least a benchmark would offer the homeowner a standard by which he/she has regress.

REPRESENTATIVE KREISS-TOMKINS said what he is hearing is that the enforcement mechanism would be litigatory, and a statewide building code would provide regress for homeowners against any builder that did not abide by the code in the future - even with no building inspectors.

MR. CARR responded yes.

[8:57:14 AM](#)

REPRESENTATIVE CLAMAN asked which code Mr. Carr follows when building outside of Palmer, Alaska.

MR. CARR answered the he follows the International Residential Code (IRC). In response to a follow-up question, he said he thinks Palmer "leans heavily on IRC."

REPRESENTATIVE CLAMAN surmised, "So, that would mean in Palmer you're following the Palmer code, and if the IRC was less stringent than the Palmer code, when you're in Wasilla, you'd build according to the IRC, and then if there were more stringent standards in Palmer, you'd follow the more stringent standards in Palmer."

MR. CARR responded that is correct.

REPRESENTATIVE CLAMAN asked Mr. Carr what his experience was with commercial lenders and the standards they require he follows. He specified that he does not mean AHFC.

MR. CARR answered that most lenders his customers deal with require an [International Code Council] (ICC) third-party inspection report, a PUR 101 or PUR 102, not only for structural integrity but also for energy efficiency.

REPRESENTATIVE CLAMAN asked if the forms to which Mr. Carr referred require adherence to the [IRC].

MR. CARR answered yes, as far as those loan institutions with which he has worked. In response to Co-Chair Hannan, he explained that one of the forms has to do with structural integrity and the other applies to energy efficiency.

[9:00:05 AM](#)

JOHN BITNEY, Lobbyist, Alaska State Home Building Association (ASHBA), noted that he worked as a legislative liaison for AHFC from 1995-2002. He said he does not know what the "PUR" in PUR 101 and PUR 102 stands for, but said the purpose of the inspection forms is to guarantee that the building being constructed has met the standards necessary for AHFC to purchase the loan. These forms are used by AHFC. He said what drives lenders are the requirements of secondary mortgage market purchasers. He explained that a lender typically does not hold a mortgage for more than 30 days; they "bundle them and sell them to a secondary." In this case, AHFC is a secondary, just like Fannie Mae and Freddie Mac. He said builders will include

the PUR 101s and 102s with construction of homes, even if they are not planning to have a loan purchased through AHFC, because those forms will become necessary to sell the home in the future and qualify for AHFC.

[9:03:15 AM](#)

CO-CHAIR HANNAN, returning to the example of the rich person, who paid cash to have his home built outside of the Municipality of Fairbanks, asked how a sale is made ten years later when there was never a PUR 101/102 completed originally.

[9:04:06 AM](#)

MR. ANDERSON answered that there are many ways to achieve this, and they are costly. One way is through "deconstructive testing," where third party inspections and possible engineering would have to be done.

[9:04:50 AM](#)

CO-CHAIR DRUMMOND requested Mr. Carr's testimony in writing. She asked how adoption of the code would help in construction and in reconstruction of damaged buildings.

[9:05:57 AM](#)

MR. CARR said the same codes would apply to remodeling projects, small or large.

CO-CHAIR DRUMMOND asked for confirmation that current code would be used in rebuilding rather than code that existed at the time the structure was built.

MR. CARR answered that was his understanding. The cost would be passed on to the consumer.

CO-CHAIR DRUMMOND asked, "Do you have any idea how much this will cost municipalities and boroughs to implement?"

MR. CARR answered no.

[9:07:24 AM](#)

REPRESENTATIVE RASMUSSEN offered her understanding that the cost would be minimal. She mentioned costs incurred by the consumer,

home inspections to determine the need to meet code, and the possibility of having to meet code during refinancing.

CO-CHAIR DRUMMOND clarified that she wanted to know about the cost for municipalities and boroughs to replace whatever code they were using with the code proposed under HB 76.

REPRESENTATIVE RASMUSSEN answered that the code currently used by the Municipality of Anchorage meets or exceeds the IRC. She said she does not know about "the other three areas" but could find out and return with an answer.

[9:09:24 AM](#)

REPRESENTATIVE CLAMAN observed there were no letters from municipalities in the committee packet. He asked if the bill sponsor would contact Anchorage and other municipalities to see whether they support HB 76.

REPRESENTATIVE RASMUSSEN said she would reach out to the municipalities with existing building codes.

REPRESENTATIVE CLAMAN asked for clarification regarding the previous answer about code for an older house that is then sold. He said it was his understanding that there was no need to update the code on an older house when it is sold.

REPRESENTATIVE RASMUSSEN responded that zoning is grandfathered but a seller must bring a house up to certain code when selling. Typically, she said, the seller would "meet health and safety items," and other items may be negotiated between the buyer and seller.

REPRESENTATIVE CLAMAN said the sponsor's reference to different codes is confusing. He offered his understanding that health and safety codes pertain to plumbing and air circulation systems. A house built to code 25 years ago may have studs every 24 inches as required when the house was built, but he asked what would happen in terms of a sale if the current code requires studs every 16 inches.

REPRESENTATIVE RASMUSSEN answered that under HB 76, if there is an AHFC loan involved, and the house was constructed after 1992, "they would have to be in compliance with the IRC."

REPRESENTATIVE CLAMAN said that would mean that an entire house built to code in 1993, with 24-inch, on-center stud walls, would

not qualify for a loan during a sale without the entire house being torn down to update the studs to current code. He asked Representative Rasmussen to confirm that is how she read the requirement under HB 76.

REPRESENTATIVE RASMUSSEN answered, "From my understanding it would have to meet the IRC code."

REPRESENTATIVE CLAMAN rephrased his question to emphasize that under the provisions of HB 76, the house he described previously would have to be torn down to qualify for an AHFC loan. He asked Representative Rasmussen if that is correct.

REPRESENTATIVE RASMUSSEN said, "Correct."

[9:13:16 AM](#)

REPRESENTATIVE KREISS-TOMKINS remarked that if HB 76 passed, there would be tens of thousands of residential properties in Alaska that are unfinanceable.

REPRESENTATIVE RASMUSSEN responded that that is not correct, because there would still be Fannie Mae and Freddie Mac loans "that would not apply to this statute." She added, "It would just eliminate one of many loan programs that are available to consumers." She clarified that would be AHFC. She pointed out that adoption of statewide building code would not only protect consumers but may also protect the state. She explained, "Because if Alaska Housing [Finance Authority] weren't following -- you know, this isn't in statute, so if they didn't chose to follow the IRC, they could potentially loan on a property that isn't built correctly, and if the borrower defaulted on the loan, it would become an expense to the state."

REPRESENTATIVE KREISS-TOMKINS outlined a scenario wherein a house was built in the Mat-Su Valley, where there was no building code, but an honorable builder, such as Mr. Carr "built it to building code at the time." He asked for confirmation that that house would not be available for financing through AHFC, because it was "built to code at the time." He said it seems unreasonable that that house should not be financeable through AHFC.

REPRESENTATIVE RASMUSSEN reiterated that she was willing to consider amendments to HB 76. She stated her intent is to protect consumers and the state in the best way possible.

REPRESENTATIVE KREISS-TOMKINS responded, "If that, in fact, is an implication of the bill, I'm probably not interested in going in the weeds to come up with an amendment myself, but I would invite you to do so."

[9:16:07 AM](#)

REPRESENTATIVE CLAMAN said a municipality has the authority to apply building codes to residential and commercial buildings. He asked if the state has that authority to apply a code that would apply to everything constructed in Alaska rather than just applying it to AHFC. Further, he queried as to whether the state could allow for houses constructed by previous codes to be grandfathered.

REPRESENTATIVE RASMUSSEN said she could check with Legislative Legal and Research Services on what the state's authority is. She said she thinks enforcement would be difficult. She noted that at the municipal level, "the enforcement is through the ... permit process that they have to go through to complete the loan ...."

[9:17:54 AM](#)

CO-CHAIR DRUMMOND asked if the code required under HB 76 would impact the two codes used in Anchorage and whether it would "beef up" the Eagle River code, which has received attention since the earthquake.

REPRESENTATIVE RASMUSSEN said Anchorage follows Title XXI, while Eagle River and Chugiak "follow certain parts of that code, but not all of it." She said under HB 76, everyone would follow the IRC; however, she offered her understanding that Anchorage could choose to follow "the higher provisions" in its building code. She added, "It may not equalize Eagle River in Anchorage, but it would bring Eagle River up if they aren't -- I would imagine that they're currently at the International Residential Code level, but I can double check on that, as well."

CO-CHAIR DRUMMOND responded, "And yet, they still had all these problems, even though they're already following the IRC." She said she is having difficulty figuring out how [HB 76] would improve things in communities that already have robust building codes.

REPRESENTATIVE RASMUSSEN noted that much of the damage she noticed in the Chugiak and Eagle River areas were to homes that had been built in the 1970s and '80s.

[9:20:01 AM](#)

REPRESENTATIVE KREISS-TOMKINS said he likes the thrust of HB 76 but is concerned about the "drag net" approach that would include rural Alaska communities that are off road.

REPRESENTATIVE RASMUSSEN said her husband has issued loans through his work to people in remote areas. She said through AHFC there are loans happening throughout the state, and she thinks it is important to protect consumers in places where there are no building codes. She reiterated her concern also is to protect the state.

[9:21:59 AM](#)

CO-CHAIR HANNAN said she would like the committee to return to invited testimony, but it is clear there is interest in and support for protecting consumers in Alaska. She said she thinks there would be further answers to questions through the upcoming provided testimony, while other answers may be found through research.

[9:23:07 AM](#)

REPRESENTATIVE KREISS-TOMKINS said it was previously stated that there would be legal exposure for those who build a structure that does not comply with code. He opined that that issue is as big or bigger an implication of HB 76 that needs to be considered. He expressed interest in a future testifier addressing this concern.

[9:24:02 AM](#)

CHRIS ROSE, Executive Director, Renewable Energy Alaska Project (REAP), said REAP is a statewide nonprofit coalition of more than 80 organizations in support of HB 76. He said REAP's interest is energy efficiency, and HB 76 would be a forward-looking bill that would apply to new construction. He offered his understanding that the municipalities to which speakers have previously referred already use IRC standards as their minimum; therefore, he does not see HB 76 has having a big impact on those municipalities. He further offered his understanding that HB 76 would be applied statewide and "not just to AHFC." He

talked about the dilemma of builders working in multiple places with a variety of standards, and a statewide minimum standard would be helpful. He said HB 76 would not set up any enforcement mechanisms for those areas outside of municipalities that already have mechanisms set up. He indicated a positive take on the proposed legislation would be the ability of builders to say they built to code for resale or in order to get financing as the home is being built. He said he does not know if HB 76 has focused on the self-builder but rather is more focused on professional builders.

MR. ROSE talked about the weatherization program wherein homeowners were able to cut their energy bills by an average of 30 percent, which saved the state and homeowners a lot of money. He said it makes sense to continue that movement by assuring energy efficient homes are built ongoing.

[9:27:31 AM](#)

REPRESENTATIVE THOMPSON asked if Mr. Rose works with Alaska Cold Climate Housing.

MR. ROSE answered yes.

REPRESENTATIVE THOMPSON asked if the budget cut to Alaska Cold Climate Housing, which he had mentioned before, would have "an effect on their ability to do what you do with them."

MR. ROSE answered yes, it would be a problem, because Alaska Cold Climate Housing provides "an amazing amount of service, not only to AHFC but to the public at large."

[9:28:36 AM](#)

CO-CHAIR HANNAN noted that a representative from Alaska Cold Climate Housing was online to testify.

[9:29:09 AM](#)

PAUL GROSSI, Alaska State Pipe Trades, said he opposes HB 76, "at least in part." The first problem with HB 76, he said, is the question of its application. He explained that after reading HB 76 a number of times, he could not determine whether it would apply just to AHFC or statewide; to all residential buildings or to fourplexes. He expressed concern that the proposed legislation would lower the standard for plumbing. He said there is already a statewide plumbing and electrical code

and HB 76 would change that. Currently, the Uniform Plumbing Code (UPC) applies to residential and commercial plumbing. The IRC is a lower standard.

[9:31:32 AM](#)

BRAD AUSTIN, Training Coordinator, Alaska State Pipe Trades, explained that the IRC contains chapters on plumbing, electrical, and mechanical; it is not just a structural building code. He said he sees this as "having two plumbing codes, because there is no carveout for the plumbing code."

[9:32:13 AM](#)

MR. GRASSI said the main issue with HB 76 is that it would lower the standard for some structures in Alaska for plumbing. It would not require a certificate of fitness for plumbing or electrical, which is state criteria. He said he sees that as a safety and health issue. That said, he expressed that he thinks there is a need for building codes for buildings themselves, and "we don't have to reinvent the wheel on this." He said a cursory search showed that at least seven communities have adopted the IRC but "have carved out for plumbing and electrical" so that "those ... stronger standards would still be met." He said he thinks "there is a way of doing this," but the issue is the confusion over that to which the bill would apply. He said all the other building codes of the state are in Title XVIII, but "their laws" are in separate sections. He said, "This is a subsect in the Alaska Housing [Finance Corporation], so we couldn't figure out what they were trying to do." He said, "We think they're trying to adopt a statewide code, but we're not sure that this does that." He said Mr. Austin could explain for the committee the ways municipalities do the aforementioned carveouts, the requirement for the certificates of fitness, and the differences within the plumbing sections of the code.

[9:35:12 AM](#)

REPRESENTATIVE THOMPSON said he thinks the City of Fairbanks adopted a plumbing code, an electrical code, and "the building side of the code." He talked about the requirements of inspectors and the need to get permits. He said, "That's fine within a municipality, but I think this bill is trying to address outside of a municipality where we have the Wild West going on with building right now." He said he does not know how

that would be separated, and he questioned whether that was the source of Mr. Grossi's confusion.

[9:36:13 AM](#)

MR. GROSSI replied that plumbing and electrical codes are statewide already, but not residential building code.

[9:36:52 AM](#)

CO-CHAIR HANNAN asked who enforces the statewide plumbing and electrical codes in remote communities.

MR. GROSSI answered that smaller communities do not have the inspections. He said the legislature could choose what size communities to include. In response to questions from Co-Chair Hannan, he said the Department of Labor & Workforce Development (DLWD) does the inspections, and the number of inspections that take place seem to increase when the state's budget is flush and decrease during lean years. He added, "But the law is there to protect ... the consumer."

CO-CHAIR HANNAN asked if during the lean years, projects are held up waiting for inspections.

MR. GROSSI said he would look into that for an answer. Notwithstanding that, he said when he was involved in the trade, "you pretty much had to wait until the inspector came - but they came." He added, "This was a long time ago when there was plenty of money for these kinds of things, but now I'm not completely sure."

[9:40:10 AM](#)

REPRESENTATIVE THOMPSON asked whether state and local inspectors are duplicated.

MR. GROSSI answered no. The inspections done by municipal inspectors satisfy the state requirement, he explained.

[9:41:03 AM](#)

REPRESENTATIVE KREISS-TOMKINS said this information is helpful, and he requested someone from DLWD describe how the inspections work presently, especially in the small communities, and also whether the person who buys and sells a house that is not up to code is "at legal exposure."

[9:42:06 AM](#)

TERRE GALES, Deputy Director, Division of Labor Standards and Safety, Department of Labor & Workforce Development, , in response to a request from Co-Chair Hannan, explained that Mechanical Inspection is self-funded through the issuance of licenses, and inspections are planned based on "getting the most bang for our buck." Regarding plumbing, he said there are no codes for communities with populations less than 2,500, but all communities are held to the electrical standard.

CO-CHAIR HANNAN asked Mr. Gales to confirm that "the electrical code ... is universal to every square inch of Alaska."

MR. GALES answered that is correct. He added, "The [fourplexes] and above is what we inspect for electrical, and that's based on statute."

[9:43:35 AM](#)

REPRESENTATIVE KREISS-TOMKINS asked for confirmation that DLWD does not inspect residential homes and duplexes.

MR. GALES answered correct, "but the standard still applies." In response to Co-Chair Hannan, he clarified that the electrical standard stills applies, but DLWD inspects only fourplexes and above.

[9:44:22 AM](#)

CO-CHAIR DRUMMOND asked who inspects the single family homes, duplexes, and triplexes in communities of less than 2,500.

MR. GALES reiterated that there is no plumbing code for communities of less than 2,500, but statute requires DLWD to inspect electrical for fourplexes and above.

MR. GALES, in response to Co-Chair Hannan, confirmed that for all communities of 2,500 or greater, [DLWD] is responsible for inspection of plumbing of all structures, no matter the size.

[9:45:54 AM](#)

REPRESENTATIVE CLAMAN asked if the legislature can pass a building code without requiring inspections.

MR. GALES answered yes. In response to a follow-up question, he said because there is no permitting process, a plumbing inspection could be instigated if DLWD was in a community and happened to "stumble upon ... the building." He added, "Because there's no ... large permitting process, we don't always know where these buildings are being built in communities like that."

REPRESENTATIVE CLAMAN asked for clarification regarding electrical inspections and what prompts DLWD to inspect "any building that's not in an organized municipality that has their own building code."

MR. GALES said DLWD sends its inspectors throughout the state, and when those inspectors come upon construction, they ensure that the builders have proper licensing and are following the code.

REPRESENTATIVE CLAMAN asked, "But if for budget reasons there's nobody going to Bethel this year, [then] there's nobody checking in with the contractors in Bethel to see whether or not they have licenses and whether the work they're doing meets code.?"

MR. GALES answered, "That is correct."

[9:49:53 AM](#)

CO-CHAIR HANNAN asked whether the travel budget for upcoming school year for the Division of Standards and Safety has been cut in half like other agencies.

MR. GALES answered that the current proposed budget has cut the budget by 50 percent. In response to a follow-up question as to whether that would result in 50 percent fewer inspections, he said there would be an adjustment, and while there would be fewer inspections, the division would strive for efficiency.

[9:51:07 AM](#)

CO-CHAIR DRUMMOND asked who pays for the travel portion of an inspection from DLWD.

MR. GALES answered that the budget is based on "the receipts that we receive."

CO-CHAIR DRUMMOND said, "You said the Mechanical [Inspection] section is self-funded through licenses, and I assume you have receipt authority for collection of those funds through

licenses." She asked, "Is that same fund the one that pays for the travel that is required to inspect in remote places?"

MR. GALES answered, "Yes, it's the designated general fund, and it's the building safety fund, and that's what we use."

CO-CHAIR DRUMMOND reasoned that the funding being cut in half would limit the number of inspections that could be made.

MR. GALES answered, "It's not that the funds are being cut, but our budget authorization for travel has been cut."

CO-CHAIR DRUMMOND stated her assumption that if [the budget authorization] has been cut in half, the agency would be doing half as much traveling; therefore, structures being built may go without inspection.

[9:53:37 AM](#)

REPRESENTATIVE CLAMAN asked whether the revenue generated through licensing fully or partially fund travel and inspection.

MR. GALES answered that inspection uses no general funds, "it's all based on receipts."

[9:54:23 AM](#)

CO-CHAIR HANNAN asked whether the Division of Standards and Safety currently inspects AHFC properties in rural communities.

MR. GALES answered in the affirmative.

CO-CHAIR HANNAN then asked whether HB 76 would expand the number of inspections the division would have to do.

MR. GALES indicated that HB 76, as currently written, would "eliminate" the ability of the division "to enforce the plumbing code." He added, "It may even eliminate the [certificates of fitness], as well."

[9:55:47 AM](#)

CO-CHAIR HANNAN remarked that there were more people wishing to testify, but time was running out. For that reason, and because of the questions the committee still had on the issue, she assured everyone that the bill would not be passed out of committee at this hearing.

CO-CHAIR HANNAN [opened public testimony] to hear from a testifier who was present in the room.

[9:56:57 AM](#)

VICTOR BANASZAK, related that he is the president of the Southeast Home Builders Association and vice president of ASHBA, but he is testifying on behalf of himself. He expressed his hope that when he became president of ASHBA next year, he would have the opportunity to speak on this issue before the legislature. He stated support of HB 76. He said Alaska is only one of 11 states that does not have a statewide residential building code. The proposed legislation would adopt a code that builders know and understand, he said. Consumers would benefit from better construction quality, while state and local governments would benefit from having a consistent standard statewide. He imparted that a major insurance company has said that with a statewide residential building code, Alaska would be eligible for 25 percent additional funds, which would help during natural disasters. Mr. Banaszak recognized that there are major issues facing the state at the end of the legislative session; therefore, he expressed his appreciation for the committee's consideration of HB 76. He said he is committed to helping to make HB 76 a better bill.

MR. BANASZAK reported that ASHBA would like HB 76 to apply to all new residential construction, not just [that funded through] AHFC. He said, "Mr. Anderson ... has made a comment in the past that it's not a level playing field right now, because they're holding everybody to high standards, so people will go to somebody from down south who has a lower standard; therefore, we don't have equivalent -- it's not apples to apples." In response to previous concern about having to tear a house down that was not to code in order to sell it, he indicated that would not be the case. The emphasis is on changes that need to be made to prevent the new owner from getting hurt, such as stair railings that are the right distance apart to prevent a child from falling through them. Another concern would be a new owner making a house "tight" but without proper air exchange. He said, "It's things like this we want to eliminate." He continued:

We're not trying to overwrite, for instance, the UPC, which is the uniform plumbing code ...; we're just trying to establish a minimum. And all the municipalities that we currently have are

significantly above that. We just want to make sure that where there is either no code at all or minimal, ... those are also held to some type of a minimum standard. We're not trying to override or destroy anybody else's standard; we just want a minimum.

MR. BANASZAK, regarding the aforementioned recent earthquake, noted that it was a 7.2 on the Richter Scale, which exceeded the design load on those houses. He said the damage seen was not indicative of a subpar house; it was a big earthquake. He clarified, "The fact that they stood up shows what our codes do in Alaska. The fact that they stood up to something that exceeded the design load is pretty impressive."

[10:01:31 AM](#)

CO-CHAIR HANNAN announced that HB 76 was held over.

[10:02:13 AM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 10:02 a.m.