

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

April 13, 2023

8:02 a.m.

MEMBERS PRESENT

Representative CJ McCormick, Chair
Representative Kevin McCabe, Vice Chair
Representative Tom McKay
Representative Josiah Patkotak
Representative Justin Ruffridge
Representative Rebecca Himschoot
Representative Donna Mears

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION(S) : DEPARTMENT OF CORRECTIONS

- HEARD

HOUSE BILL NO. 70

"An Act relating to property exempt from municipal taxation."

- HEARD & HELD

HOUSE BILL NO. 134

"An Act prohibiting municipalities from levying a tax on the transfer of real property; prohibiting the state from levying a tax on the transfer of real property; and relating to municipal taxation of mobile telecommunications services."

- HEARD & HELD

CS FOR SENATE BILL NO. 77(CRA) AM

"An Act relating to municipal property tax; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 70

SHORT TITLE: MUNICIPAL PROPERTY TAX EXEMPTIONS
SPONSOR(s): REPRESENTATIVE(s) TOMASZEWSKI

02/13/23 (H) READ THE FIRST TIME - REFERRALS
02/13/23 (H) CRA
04/06/23 (H) CRA AT 8:00 AM BARNES 124
04/06/23 (H) Heard & Held
04/06/23 (H) MINUTE(CRA)
04/13/23 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 134

SHORT TITLE: PROPERTY TRANSFER TAX; MUNI TELECOMM TAX
SPONSOR(s): REPRESENTATIVE(s) COULOMBE

03/27/23 (H) READ THE FIRST TIME - REFERRALS
03/27/23 (H) CRA
04/13/23 (H) CRA AT 8:00 AM BARNES 124

BILL: SB 77

SHORT TITLE: MUNI PROP TAX EXEMPTION/TAX BLIGHTED PROP
SPONSOR(s): SENATOR(s) DUNBAR

02/22/23 (S) READ THE FIRST TIME - REFERRALS
02/22/23 (S) CRA
03/16/23 (S) CRA AT 1:30 PM BELTZ 105 (TSBldg)
03/16/23 (S) Heard & Held
03/16/23 (S) MINUTE(CRA)
03/23/23 (S) CRA AT 1:30 PM BELTZ 105 (TSBldg)
03/23/23 (S) -- MEETING CANCELED --
03/28/23 (S) CRA AT 1:30 PM BELTZ 105 (TSBldg)
03/28/23 (S) Moved CSSB 77(CRA) Out of Committee
03/28/23 (S) MINUTE(CRA)
03/29/23 (S) CRA RPT CS 5DP SAME TITLE
03/29/23 (S) DP: DUNBAR, GRAY-JACKSON, OLSON,
GIESSEL, BJORKMAN
04/11/23 (S) TRANSMITTED TO (H)
04/11/23 (S) VERSION: CSSB 77(CRA) AM
04/12/23 (H) READ THE FIRST TIME - REFERRALS
04/12/23 (H) CRA, FIN
04/13/23 (H) CRA AT 8:00 AM BARNES 124

WITNESS REGISTER

JENNIFER WINKELMAN, Commissioner
Department of Corrections
Anchorage, Alaska

POSITION STATEMENT: Co-presented the PowerPoint on the Department of Corrections.

JAKE WYCKOFF, Deputy Commissioner
Department of Corrections
Juneau, Alaska

POSITION STATEMENT: Co-presented the PowerPoint on the Department of Corrections.

APRIL WILKERSON, Deputy Commissioner
Department of Corrections
Juneau, Alaska

POSITION STATEMENT: Co-presented the PowerPoint on the Department of Corrections.

REPRESENTATIVE FRANK TOMASZEWSKI
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, answered questions on HB 70.

MICHAELLA ANDERSON, Staff
Representative Frank Tomaszewski
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Tomaszewski, gave a brief overview of HB 70.

BRYCE WARD, Mayor
Fairbanks North Star Borough
Fairbanks, Alaska

POSITION STATEMENT: Provided invited testimony on HB 70.

SAMANTHA KIRSTEIN, Community Development Director
Fairbanks Community Food Bank
Fairbanks, Alaska

POSITION STATEMENT: Provided invited testimony on HB 70.

GENE THERRIAULT, Board President
Fairbanks Community Food Bank
Fairbanks, Alaska

POSITION STATEMENT: Provided invited testimony on HB 70.

REPRESENTATIVE JULIE COULOMBE
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented HB 134.

MAGY ELLIOTT, Staff
Representative Julie Coulombe
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Coulombe, prime sponsor, gave the sectional analysis of HB 134.

ERROL CHAMPION, Managing Broker; Chair
Coldwell Banker Race Realty;
Industry Issues Committee
Alaska Association of Realtors
Juneau, Alaska

POSITION STATEMENT: Provided invited testimony and answered questions on HB 134.

SENATOR FORREST DUNBAR
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented the changes to CSSB 77(CRA) am.

NILS ANDREASSEN, Executive Director
Alaska Municipal League
Juneau, Alaska

POSITION STATEMENT: Provided invited testimony on CSSB 77(CRA) am.

ACTION NARRATIVE

[8:02:05 AM](#)

CHAIR CJ MCCORMICK called the House Community and Regional Affairs Standing Committee meeting to order at 8:02 a.m. Representatives McKay, Patkotak, Ruffridge, Himschoot, Mears, McCabe, and McCormick were present at the call to order.

PRESENTATION(S): Department of Corrections

[8:03:48 AM](#)

CHAIR MCCORMICK announced that the first order of business would be a presentation on the Department of Corrections.

[8:04:18 AM](#)

JENNIFER WINKELMAN, Commissioner Designee, Department of Corrections, co-presented the PowerPoint on the Department of Corrections (DOC) [hard copy included in the committee packet]. She gave a brief history of DOC and moved to slide 2, which addressed DOC's mission and core services. She stated that its mission is to provide secure confinement, reformative programs, and a process of supervised release. She stated that the department has over 2,000 positions with a budget of \$419 million. She pointed out the divisions in DOC and what core services each division provides. She stated that Alaska has a unified correctional system, as its state-level prison and jail systems are integrated. She pointed out that states without a unified system will have jailhouses within municipalities. She advised that problems could arise from this, as unsentenced individuals will often be housed with sentenced individuals. She stated that DOC books into custody around 30,000 people a year, and at the beginning of the year it was responsible for around 11,000 individuals. This includes individuals in prisons or jails, electronically monitored, and under partial supervision.

[8:08:40 AM](#)}

JAKE WYCKOFF, Deputy Commissioner, Department of Corrections, co-presented the PowerPoint. He stated that he currently oversees the Division of Institutions and the Division of Health and Behavioral Services. He commented on the quality and effectiveness of the entire staff in these two divisions. He pointed to slide 5 and reviewed the Division of Institutions, which is the largest in DOC, with 13 correctional centers, 7 community residential centers, 6 sentenced electronic monitoring offices, and the organization of inmate transportation. He stated that DOC works collectively with the Department of Public Safety (DPS), as DPS delegates some authority to DOC for population movement. He pointed to a graph on slide 6, which showed the prison population disbursement in all DOC institutions, and he noted that each of the incarceration sites on the graph are under capacity. He discussed the work the department has put in to achieve this. He expressed the belief that this population disbursement creates a less stressful environment for staff and inmates.

MR. WYCKOFF, in response to a committee question, stated that there is a priority in the department to try to keep incarcerated individuals close to home. He stated that when deciding where a person is to be incarcerated, these factors are considered; however, keeping sites below capacity is also an

important factor. In response to a follow-up question, he expressed the opinion that there will be a point where the ability to house the inmates will outpace the space available. He discussed how this is being managed. He deferred the question.

[8:18:48 AM](#)

APRIL WILKERSON, Deputy Commissioner, Department of Corrections, expressed the understanding that the question related to what future prison populations would look like. She suggested that in the future there may be a need for more facilities. She stated that it is projected the capacity will be exceeded in 2027, and other resources may be needed then. She stated that DOC is currently looking at all options. In response to a committee question, she stated that future prison populations are estimated by looking at the state's population changes, the legislative changes, community factors, and global factors. She added that the estimates are "rough" because of the recent uncertainty in factors, such as the COVID-19 pandemic.

[8:22:25 AM](#)

MR. WYCKOFF moved to slide 7, which addressed the prison population by status of whether the inmate has been sentenced or not. He indicated that the unsentenced population currently exceeds the sentenced population. These numbers are broken down into the prison population by offense class, as seen on slide 8. He added that inmates were classified by their most serious charge.

MR. WYCKOFF moved to slide 9 to address the Division of Health and Rehabilitation Services (HARS). He stated that DOC is mandated by law to provide timely access to essential health care, and it follows national guidelines and standards in providing this. He pointed out the sections under HARS, which include sex offender management, a program on domestic violence, the reentry and recidivism unit, and education and vocational programs. He discussed the various education and vocational programs. He added that there are also components on behavioral health care and substance abuse. He highlighted the new mental health care unit in the women's facility in Eagle River.

[8:26:34 AM](#)

MS. WILKERSON, co-presenting the PowerPoint, moved to slide 10, and discussed the Division of Pretrial, Probation, and Parole,

which is the third largest division. She stated that this division provides the core services for individuals in pretrial status and individuals who have served their sentences and have been released on probation. She stated that the division also oversees the 15 regional and community jails. In response to a funding question on jails, she stated that the contracts are being reworked, and there is the expectation this will be in place by July 1, with a solid funding amount.

MS. WILKERSON continued to slide 11 and addressed the Board of Parole, which has two major functions: holding hearings on individuals already on parole and reviewing applications for parole. She discussed how parole board members are chosen. She moved to slide 12 and discussed the DOC's Division of Administrative Services, which provides support to all the core functions of DOC. She pointed out additional statewide support the division receives, which includes support from the research unit, the records repository, and the inmate DNA collection program. She further discussed other functions of the division.

MS. WILKERSON moved to slide 13, which outlined the Office of the Commissioner. She stated that the commissioner provides oversight to all the areas under the department and its core services. There are two primary items of concern for the commissioner's office: the recruitment and retention of staff and the training academy. In response to a committee question, she moved to slide 14, titled "Positions by Category" and stated that she would report back to the committee with more current information on vacancies and pay for DOC staff. She pointed out that in 2022, for all statewide positions, DOC had 13 percent staff vacancies. Once vacancies are broken down by job class, they fluctuate by location. She further discussed these fluctuations and vacancies.

[8:36:14 AM](#)

COMMISSIONER WINKELMAN, for the record, stated that she is "very passionate about this department and the work we do." She reiterated the quality of DOC's staff. She emphasized the difficulty in working in facilities with individuals who do not want to be there. She concluded on slide 15, pointing out DOC's first priority of taking care of the health and well-being of the staff. She further discussed the difficulties for the staff. She stated that the second priority for DOC is that inmates leave the facility better than when they entered. She addressed the third priority, which is to identify the efficiencies and resources to reduce recidivism.

COMMISSIONER WINKELMAN, in response to a committee comment, pointed out that because she came up through the ranks of DOC, she has been able to identify gaps in the system. She expressed the importance of working with stakeholders and departments outside of DOC to get a different perspective. She noted that the police dogs in the K9 unit do not only work in the facilities, as they also are out in the communities, seizing contraband. She discussed the process of "catching drugs" coming into facilities and referenced the diligence of the staff in two recent drug busts. In response to a committee request, she stated that she would report back with a breakdown of drug seizures in different communities.

[8:45:08 AM](#)

CHAIR MCCORMICK thanked the presenters.

[8:46:05 AM](#)

The committee took an at-ease from 8:46 a.m. to 8:50 a.m.

HB 70-MUNICIPAL PROPERTY TAX EXEMPTIONS

[8:50:05 AM](#)

CHAIR MCCORMICK announced that the next order of business would be HOUSE BILL NO. 70, "An Act relating to property exempt from municipal taxation."

[8:50:31 AM](#)

REPRESENTATIVE FRANK TOMASZEWSKI, Alaska State Legislature, introduced his staff to the committee members.

[8:50:49 AM](#)

MICHAELLA ANDERSON, Staff, Representative Frank Tomaszewski, on behalf of Representative Tomaszewski, gave a brief overview of HB 70. She explained that HB 70 would clarify tax exemptions for some nonprofits concerning parking lots, space rentals, and real property. She explained that the real property would be free items, such as food, clothes, shelter, books, and health care. She stated that the intent of the legislation is to prevent any litigation between nonprofits and municipalities in the future.

[8:51:29 AM](#)

REPRESENTATIVE MEARS questioned the status of the new language for the proposed legislation.

MS. ANDERSON replied that this is still in progress. She explained that the new language would allow for a grace period on construction on properties owned by a nonprofit organization; the organization would have two years to develop the property before it is not exempt. She added that this would also allow for fund raising ability. In response to several follow-up questions, she responded that other scenarios have been considered; however, the primary concern for the proposed legislation would be the food bank in Fairbanks. Concerning other municipalities, the tax-exempt status for nonprofits would fall under the same statute as Fairbanks. She stated that other municipalities have not been contacted, as this is a Fairbanks' issue. She added that any litigation could cause other municipalities to take steps. In response, she stated that it has been discussed with the Fairbanks North Star Borough (FNSB) to resolve this in other ways, but this has been to no avail.

[8:54:10 AM](#)

REPRESENTATIVE HIMSCHOOT questioned whether there is an option of using the assembly's Board of Equalization in Fairbanks to address the food bank's issues.

REPRESENTATIVE TOMASZEWSKI replied that there is a Board of Equalization; however, because of changes in the way the board works, it is not easy for property owners to go to the board. He added that the first step would be going to the Alaska Superior Court.

[8:55:15 AM](#)

CHAIR MCCORMICK indicated the committee would hear from invited testimony.

[8:55:31 AM](#)

BRYCE WARD, Mayor, Fairbanks North Star Borough, provided invited testimony on HB 70. He expressed the opinion that the Community Food Bank is a pillar of the community. He stated that, as drafted, the proposed legislation would add language under AS 29.45.030, clarifying state required property tax exemptions. He explained that for nonprofits to receive tax

exemptions from boroughs, they would be required to prove public benefit. He stated that Article 9, Section 4, of the Constitution of the State of Alaska gives direction on exemptions for real property tax on properties which are used exclusively for the purposes of nonprofits, religious ceremonies, and cemeteries. He explained that properties owned by nonprofits are not necessarily exempt from taxes, as there are other criteria, and assigning tax exemption to ownership, as opposed to use, could undermine public benefit. He continued that just because a property is owned by a nonprofit does not mean it is being exclusively used for an eligible purpose, as defined by law. He stated that HB 70 is a good start at addressing this; however, there are some problematic areas. He explained that the Board of Equalization in Fairbanks is reserved for evaluation cases, while taxability is referred directly to the courts. He added that other communities may do this differently.

[8:58:07 AM](#)

REPRESENTATIVE HIMSCHOOT expressed support for local control and expressed uncertainty concerning the proposed bill because of localization. She questioned whether the duties of FNSB's Board of Equalization can be changed to address the problem at the local level.

MR. WARD responded that this would be a question for the assembly. From an administration perspective, he pointed out the difference between issues of taxability and the duties of the board. He explained that equalization is an issue of value, while taxability is an issue of law, which is why these cases are referred to the courts.

[8:59:14 AM](#)

REPRESENTATIVE MEARS expressed the understanding that AS 29.45.050 concerns the optional exemptions and exclusions for municipalities. She expressed the understanding that this statute would give the borough the opportunity to exempt the properties; therefore, the issue could be resolved on the borough level.

MR. WARD replied that this is correct, and it is required that the property owner file an application. He continued that this has been communicated to the food bank.

[9:01:15 AM](#)

SAMANTHA KIRSTEIN, Community Development Director, Fairbanks Community Food Bank, provided invited testimony on HB 70. She shared that she has worked for the food bank for 32 years, and until 2022 the food bank has had exempt property. She stated that an exemption was applied for, but it was partially denied. She argued that the work the food bank does is for community purposes only, and this has been explained.

[9:03:11 AM](#)

GENE THERRIAULT, Board President, Fairbanks Community Food Bank, provided invited testimony on HB 70. He added that his work for the food bank is pro bono. He observed the widespread support that the food bank receives. He pointed out that the food bank has recently received emergency money from the state for the food shortage. He continued that the food bank has partnerships with other food supply entities in the state; therefore, it serves a larger portion of the state. He reiterated that in 40 years the food bank has never been levied with a property tax against any of its facilities until last year. He expressed the understanding that this has been perceived as an upcoming problem, but FNSB is the first to experience this in the state. He described the food bank's spaces in Fairbanks which were assessed with \$8,200 in taxes. He explained that while this is not "crushing," in the middle of the winter the food bank's energy bill can be up to \$16,000 per month. He pointed out the denial letter from the tax assessor addressed several fund raisers held in the food bank's spaces. The letter conveyed that use of the property must be for a direct and primary purpose, but any charitable fund raising for this purpose is not exempt.

[9:08:13 AM](#)

MR. THERRIAULT continued that the tax assessor's determination related that if the food bank is raising money, it is not feeding people, which is its primary purpose. He stated that the tax assessor's office determined the property tax by measuring the square footage which had been used for fund raising. He described how another recent fund-raising event at a food bank space may have put another, bigger facility at risk for a tax. He stated that if this happens, the only recourse is to go to court; however, the food bank does not have the resources to go to court, which is why the food bank paid the 2022 property taxes. He explained the details of how HB 70 came to be and how it may be applied to other nonprofits. He stated

that it has been recommended the definition of the word "use" be expanded in a way which would not risk misuse of the statute. He discussed the expense which goes along with meeting the state's needs during the food shortages, and he argued that the food bank needs help to make sure it is not subjected to a property tax.

[9:13:30 AM](#)

REPRESENTATIVE MCCABE questioned how much food \$8,200 would supply.

MR. THERRIAULT replied that recently 31,000 pounds of bycatch fish from Seattle had no cost; however, it had cost \$8,000 for freight to ship it to Fairbanks.

REPRESENTATIVE MCCABE questioned what changed in 2022 to cause a tax to be levied.

MR. THERRIAULT expressed the understanding that it was a reinterpretation of statute. He stated that the tax assessor's office had not indicated there would be a change.

REPRESENTATIVE MCCABE requested a copy of the letter. He said, "It seems a little much to have to do this via statute." He requested clarity that the food bank is a nonprofit for the community and not just for a small group of people.

MR. THERRIAULT responded in the affirmative. He stated that he would provide a copy of the denial letter. He added that the food bank only leases property to other qualified nonprofits. He gave the example of the Literacy Council of Alaska selling used books, and how this was determined to create a taxable space. He described some of the other properties the food bank owns and how tax was determined. He expressed the desire to strike a balance with something which is not subject to abuse.

[9:18:32 AM](#)

REPRESENTATIVE MCCABE questioned what the Literacy Council of Alaska, as a nonprofit, does with the proceeds when it sells a book.

MR. THERRIAULT replied these profits are used to support its charitable function. He stated that, concerning the proposed legislation, the language addresses entities reselling donated goods at a lower price. He expressed the desire not to impact

other charities whose definitions may not align; therefore, he suggested that the language needs to be more nuanced and sensitive.

[9:20:12 AM](#)

CHAIR MCCORMICK announced that HB 70 was held over.

[9:20:43 AM](#)

The committee took an at-ease from 9:20 a.m. to 9:22 a.m.

HB 134-PROPERTY TRANSFER TAX; MUNI TELECOMM TAX

[9:22:18 AM](#)

CHAIR MCCORMICK announced that the next order of business would be HOUSE BILL NO. 134, "An Act prohibiting municipalities from levying a tax on the transfer of real property; prohibiting the state from levying a tax on the transfer of real property; and relating to municipal taxation of mobile telecommunications services."

[9:22:27 AM](#)

REPRESENTATIVE JULIE COULOMBE, Alaska State Legislature, as prime sponsor, introduced HB 134. She stated that the proposed legislation would prohibit state and local governments from imposing real estate transfer taxes, fees, and other assessments on sales, grants, assignments, or transfers of real property. She stated that transfer fees are increasingly being assessed for property transactions in other states. She pointed out the housing problems in the state and argued that in Alaska this tax would add the obstacle of increased costs. Concerning local control versus state control, she argued that housing is not just a local issue, as these struggles affect the entire state. She stated that the tax is not currently imposed, and the proposed legislation is a preventative action.

[9:25:50 AM](#)

MAGY ELLIOTT, Staff, Representative Julie Coulombe, Alaska State Legislature, on behalf of Representative Coulombe, prime sponsor, presented the sectional analysis of HB 134 [copy included in the committee packet], which read as follows [original punctuation provided]:

Section 1: (Page one line 5-7) Conforming to Section 4, amends AS.29.10.200(56) to add the provisions of this bill to the Limitation of Home Rule Powers statute.

Section 2: (Page one line 8-9) Conforming to Section 6, amends AS 29.10.200(57) to add the provisions of this bill to the Limitation of Home Rule Powers statute.

Section 3: (Starting on page 1, line 10, to page 2, line 2) Conforming language to amend AS.29.45.650(a), to add new subsection (l) of this bill to the statutes regarding Borough Sales and Use Tax.

Section 4: (Page two lines 3-5) Amends AS.29.45.650, to add new subsection (l) to the Borough Sales and Use Tax statute to provide that a borough may not levy or collect sales tax on the transfer of real property.

Section 5: (Page two line 6-11) Conforming to Section 6, amends AS.29.45.700(a) to add new section subsection (h) of this bill to the Power of Levy statute.

Section 6: (Page two line 12-14) Amends AS 29.45.700 to Add a new subsection (h) to the Power of Levy Statute, which states that a city may not levy or collect a sales or use tax on the transfer or real property.

Section 7: (Page two line 15-17) Adds a new section to Article 3, No tax on real property transfers, which stipulates that the state may not levy or collect on sales or use tax on the transfer of real property.

Section 8: (Page two line 16-19) Repealer section related to municipal taxation of mobile telecommunications.

[9:28:32 AM](#)

REPRESENTATIVE MCKAY expressed the understanding that the definition of real property is bigger than just a residential home. He requested a comment on the definition of "real property."

REPRESENTATIVE COULOMBE stated that the intention of the proposed legislation would be for residential housing.

REPRESENTATIVE MCKAY expressed concern that the legislation designates the term "real property," and this could have an expansive definition.

[9:30:11 AM](#)

ERROL CHAMPION, Managing Broker, Coldwell Banker Race Realty; Chair, Industry Issues Committee, Alaska Association of Realtors, provided invited testimony on HB 134. He addressed Representative McKay's concern and stated that, in terms of real property transactions, around less than 10 percent of this volume is commercial property. He stated that an exact definition cannot be given, as something sold as commercial could be developed into residential property. He expressed the concern that 35 states have already moved forward with leveeing transfer fees, and this would be added to the cost of real property. In response to a follow-up question, he reiterated that there is no way to determine the difference between commercial and residential property.

[9:32:27 AM](#)

REPRESENTATIVE MCCABE questioned the transfer fee cost in other states.

MR. CHAMPION added that the ten percent stated was the estimated ratio of the commercial property to residential property. Answering the question, he stated that the highest transfer fee he is aware of is in Washington State. He explained that the fees vary, and some states have a county transfer fee, a state transfer fee, and a municipal transfer fee, while other places have a flat rate transfer fee. He stated that realtors who support this bill argue against any costs which would increase the cost of acquiring a home.

[9:33:35 AM](#)

REPRESENTATIVE COULOMBE expounded that Washington State and Colorado have the highest transfer fee rates. She stated that fees varied from 0.1 per \$100,000 all the way to 3.5 per \$100,000, per level of government, as some states have three levels of government which charge the tax. She added that if all three impose a tax, the tax could be raised to 10 percent.

She continued that the way transfer fees are structured, it is hard to determine a rate across the board.

MR. CHAMPION, in response to a follow-up question, stated that most sellers will recognize they have to pay this; therefore, the tax is added to the asking price of the home. He expressed the understanding that [governments like] transfers because it is a one-time charge collected by the escrow office, with the seller paying at closing.

[9:35:53 AM](#)

MR. CHAMPION explained this has been an issue in the Lower 48, and it is being monitored by the Alaska Realtors Association. He stated that only recently the City and Borough of Juneau passed a disclosure concerning this; however, compliance was poor, and a second ordinance with a fee was adopted. The ordinance was afterwards reversed, but it presented the idea to those in the industry that the inclination "to go after the sell of real property" is there. He reiterated that 35 states have this tax, while 12 other states do not require disclosure. He expressed the opinion that without disclosure, there cannot be a transfer fee. He expressed the preference that the state remain a nondisclosed state. He argued that this is a privacy issue, which is referenced in the state's constitution.

[9:38:37 AM](#)

REPRESENTATIVE HIMSCHOOT questioned if the bill would address whether Alaska remains a nondisclosure state.

REPRESENTATIVE COULOMBE responded in the negative, as it would not address this part; the proposed legislation would only address the transfer tax. She added that this would be the community's choice.

REPRESENTATIVE HIMSCHOOT questioned why the proposed bill skips addressing a state tax and directly addresses the municipal level.

REPRESENTATIVE COULOMBE responded that it would address the borough, state, and municipality levels. She offered to point out the sections in the bill which do this.

REPRESENTATIVE HIMSCHOOT stated that she would support taking everything out of the proposed legislation which deals with

municipalities and leaving only the provisions which address the state. She reiterated that she is a proponent of local control.

[9:41:27 AM](#)

CHAIR MCCORMICK announced that HB 134 was held over.

[9:41:55 AM](#)

The committee took an at-ease from 9:41 a.m. to 9:43 a.m.

SB 77-MUNI PROP TAX EXEMPTION/TAX BLIGHTED PROP

[9:43:16 AM](#)

CHAIR MCCORMICK announced that the final order of business would be CS FOR SENATE BILL NO. 77(CRA) am, "An Act relating to municipal property tax; and providing for an effective date."

[9:43:54 AM](#)

SENATOR FORREST DUNBAR, Alaska State Legislature, mentioned that CSSB 77(CRA) am is the companion bill to HB 84, which is sponsored by Representative Jesse Sumner. He explained that CSSB 77(CRA) am would create two optional tools, of which municipalities could choose. He pointed out that this aligns with local control. He explained that several changes were made to the bill. First there would be a cap on the blight tax, as only 50 percent of the property's annual assessed property tax could be used. He expressed the understanding that this is a much lower tax than in other parts of the country. He stated this would also prevent an owner-occupied primary residence from being the subject of a blight tax. He stated another change would allow home rule and first-class cities to implement the blight tax. He referenced two other small changes: the blight tax would be removed once remediation has begun, as opposed to when it is completed, and a primary residence could not be identified as blighted.

[9:47:47 AM](#)

REPRESENTATIVE MCCABE questioned whether an ordinance adopted by the assembly in Anchorage would automatically go to the voters.

SENATOR DUNBAR responded that most ordinances do not go to the voters, with some exceptions, such as a bond. He explained the two ways an ordinance would go to the voters.

REPRESENTATIVE MCCABE expressed the understanding that, with no voter input, the assembly could adopt an ordinance which "designates 'blighted' as somebody that didn't mow their lawn." He questioned the protection in the proposed legislation for a home owner and the definition of "blighted."

SENATOR DUNBAR responded that if a person is in his/her home, the home is not subject to this. He stated that removing something for public purpose is not the definition of "blighted" and not eminent domain, which is a difficult process. He added that there is an appeals process, and the primary check for local governments is the ability for the public to vote individuals out of office. In discussing the definition of "blighted," he stated that there had been one put forward, but he expressed the opinion that it had been inappropriate to amend the bill on the floor. He continued that the Alaska Municipal League has expressed the opinion that local governments should define the term themselves. He discussed the definition that other states have put forward and concluded that defining "blighted" is not an easy task. He stressed the importance of local control in most cases.

[9:51:59 AM](#)

REPRESENTATIVE MCCABE expressed appreciation for local control; however, because there are some unorganized boroughs in the state, blighted will need to have a basic definition, such as having a floor. He conceded that Alaska is spread out, so creating a definition and having control would be difficult.

SENATOR DUNBAR expressed agreement; however, he reminded the committee that the proposed legislation would only apply to entities that impose property tax.

[9:53:47 AM](#)

REPRESENTATIVE MCKAY argued that the legislature's job is to pass laws, but also its job is to protect citizens from overzealous local governments. He expressed caution because these types of laws could have unintended consequences, and he gave an example.

SENATOR DUNBAR expressed appreciation for the concern. He stated that this is why he welcomed the amendment concerning remediation of the property, rather than completion. He stated that remediation shows "a good faith effort." He reminded the

committee members that this would not apply to primary residences. He gave the example of a hotel in Anchorage with an out-of-state owner, as it sat abandoned for many years and became a center of criminal activity and a fire hazard. He pointed out that this type of property would be the legislation's focus. He stated that it is not intended to be a punitive tool which leads to foreclosure.

REPRESENTATIVE MCKAY pointed out that the Anchorage hotel in the given example was taken care of without legislation. He argued that laws do not always respect good intentions.

SENATOR DUNBAR responded that in this example, the assembly passed an ordinance which imposed fees for unsecured property. This had not worked, and he discussed the complicated agreement which had rectified the problem. He explained that this had been a very long process. He suggested that the proposed legislation would lead to an easier solution.

[9:59:56 AM](#)

NILS ANDREASSEN, Executive Director, Alaska Municipal League, provided invited testimony on CSSB 77(CRA) am. On behalf of the Alaska Municipal League, he expressed the opinion that, as currently drafted, the proposed bill would support local control and community redevelopment priorities. It would provide local decision making for all the local governments in Alaska. He continued that the proposed legislation would empower the communities, make properties more valuable, and protect the vulnerable populations, ensuring quality of life, public health, and public safety.

[10:01:08 AM](#)

CHAIR MCCORMICK announced that CSSB 77(CRA) am was held over.

[10:02:01 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.