

COMMITTEE REPORT

SENATE

5/1/75

Mr. President:

Date 5/2/75

The Committee on FINANCE has had CSHB 173 (Finance)
Indemnification of Juneau resulting from enactment of capital relocation initia-
under consideration. A Majority of the members of the Committee tive

- () recommends it DO PASS
- () recommends it DO NOT PASS
- () recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- () recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- () "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- () reports it back WITHOUT RECOMMENDATION
- () "other" *with individual recommendations*

Members signing the Majority report:

<u><i>Lois Kay</i></u>	<u><i>DO PASS</i></u>	<u><i>John Entwistle</i></u>
<u><i>John Entwistle</i></u>	<u><i>DO PASS</i></u>	_____
<u><i>John Entwistle</i></u>	<u><i>DO PASS</i></u>	_____
<u><i>John Entwistle</i></u>	<u><i>DO PASS</i></u>	_____

Members NOT concurring in the Majority report:

_____ recommends:

Kevin Chance recommends: *no action*

_____ recommends:

_____ recommends:

_____ recommends:

Lois Kay Chairman

The Legislature of the State of Alaska
FISCAL NOTE

First Session - Ninth Legislature

NO

I. REQUEST

Bill No. HB 173

Title: Indemnification in the event of decrease in property values w/

Requested By: House State Affairs Date: City & Boro of Juneau

Return Date Requested:

Agency: Community & Regional Affairs Program: Development

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Local Government Assistance

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES		38.4	42.3	46.5	51.1	
200 TRAVEL		2.0	2.2	2.4	2.6	
300 CONTRACTUAL		231.8	5.3	5.8	6.4	
400 COMMODITIES		.3	.3	.4	.4	
500 EQUIPMENT		2.1				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		274.6	50.1	55.1	60.5	

B. FUNDING: (Thousands of dollars)

FUND	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
GENERAL FUND		274.6	50.1	55.1	60.5	
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

POSITIONS	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
PERMANENT/TEMPORARY	/	2 / 0	2 / 0	2 / 0	2 / 0	/
MAN MONTHS (P./T.)	/	24 / 0	24 / 0	24 / 0	24 / 0	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

See attached

IV. ATTACHMENTS

V. DATE: April 14, 1975

PREPARED BY:

Robert Dozier
S. Robert Dozier, State Assessor
Local Government Assistance
Division

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

Analysis

Administrative costs of HB 173 are estimated to include a Property Appraiser to develop administrative code regulations, and application forms in addition to completing a monthly survey of labor and real estate market values, which will determine the effective date for implementation of indemnification. This position will develop, implement and oversee the base year assessment project, conduct on site inspections and verifications of mobile home values, and review all appeals filed and adjustments made by the local Board of Equalization. Appraisal and inspections will be completed and supported in court on Board of Equalization appeals. A Clerk Typist III is requested for clerical support. Associated costs are included for both positions.

The base year assessment project will include approximately 7,500 parcels at an average cost of \$60 per parcel. Half of this cost will be assumed by the City and Borough of Juneau through cash and in-kind services.

The administrative costs are detailed as follows:

Personal Services

Appraiser III (Range 19)	\$ 22,259	
Clerk Typist III (Range 8)	10,320	
Benefits @ 18%	<u>5,864</u>	
Total		<u>\$ 38,443</u>

Travel

Review of Anchorage Real Estate Market		<u>2,000</u>
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Contractual

Assessment Project - State share	\$225,000	
Phone, long distance & postage	1,500	
Printing forms and regulation and advertising hearing	2,000	
Office Rental -200 sq.ft. @ 50¢	1,200	
Xerox	100	
Shipment of employee's effects	<u>2,000</u>	
Total		<u>251,800</u>

Commodities

Office Supplies		<u>500</u>
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Equipment

Desk	\$	275
Secretarial Desk		300
Chairs (two)		190
Typewriter		570
Calculator		600
Filing cabinet		140

Total \$ 2,075

Total Administrative Cost \$274,618

Assuming indemnification is activated in 1980, a legislative appropriation of \$207,852,500 may be required to fund the Department's expenditures relating to acquiring real property.

Capital relocation may effect 10,442 residents and eliminate 5,680 jobs, or 62% of the residents and available jobs.

Real property values in 1980 are estimated to be \$319 million, 52% of which equals \$198 million.

Administration of the indemnification program will involve processing of forms, appraisal of property, title search and insurance, purchase, auction, lease, legal and court costs and maintenance of all property acquired.

ESTIMATED COST

1. Processing of 4,650 applications - 2 positions	35,000
2. Appraisal @300 each	1,395,000
3. Title search and insurance @ \$50 each	232,500
4. Purchase of property and recordation @ 200	1,395,000
5. Public Auction - plus advertise and close @ 300	1,395,000
6. Lease and collection of rent - 3,000 @ 300	900,000
7. Maintenance of property - 3,000 @ 1,500	<u>4,500,000</u>
Total	9,852,500
Indemnification	<u>198,000,000</u>
Total	207,852,500

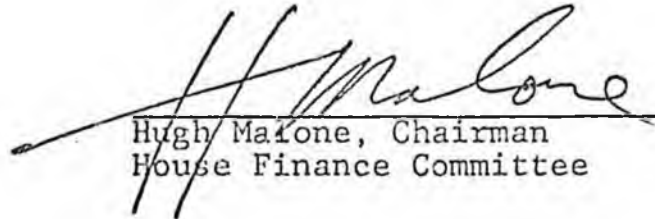
HOUSE JOURNAL

REVISED FISCAL NOTE

COMMITTEE SUBSTITUTE FOR HOUSE BILL 173 (FIN'NCE)

The House Finance Committee in their consideration of the fiscal note on House Bill 173 prepared by the Department of Community and Regional Affairs has determined that the personal services, travel and equipment requested in the fiscal note are not necessary and can be provided for within the Department's regular budget.

The recommended amount for funding for CSHB 173 would therefore be \$231,800 for contracted services to complete the base year assessment provided for in CSHB 173(Finance).


Hugh Malone, Chairman
House Finance Committee

HOUSE JOURNAL

COMMITTEE LETTER OF EXPLANATION COMMITTEE SUBSTITUTE FOR HOUSE BILL 173 (FINANCE)

House Bill 173 provides for the indemnification of the residents of the City and Borough of Juneau for losses in the sale of property as a result of the Capital Move Initiative.

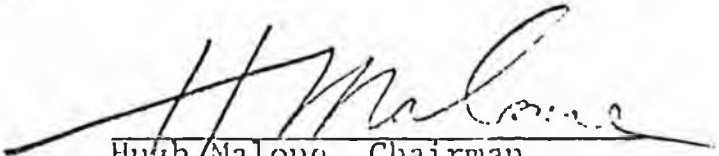
The Finance Committee Substitute provides that the program will be administered by the Commissioner of the Department of Community and Regional Affairs.

Applications for reimbursement under the program will be submitted to the Commissioner. The Commissioner will determine the amount of reimbursement by computing the difference between the fair market value of the property at the time of sale and the actual sales price. In the case of business capital assets the application will be submitted to the Budget and Audit Committee. In no case shall the purchase price or reimbursement be greater than 95 percent of the adjusted base year fair market value.

CSHB 173 specifically defines property eligible for indemnification under the Act and the method for determining fair market value. The bill also provides for a base year assessment of all eligible property in the City and Borough of Juneau. The State and the City and Borough of Juneau will share the costs of the assessment equally.

The indemnification program will conclude when the Legislature sitting at the new capital site declares the program terminated.

The majority of the Finance Committee believes CSHB 173 provides the property owners of the City and Borough of Juneau relief against future losses as a result of the Capital Move Initiative. The enactment of this legislation will prevent a serious decline in property values in the City and Borough of Juneau.



Hugh Malone, Chairman
House Finance Committee

MEMORANDUM
DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS

State of Alaska
DIVISION OF LOCAL GOVERNMENT ASSISTANCE

TO: KEVIN WARING, DIRECTOR
COMMUNITY PLANNING

DATE: JANUARY 31, 1975

THRU: JACK CHENOETHI
DIRECTOR

FILE NO: ..

TELEPHONE NO:

FROM: S. ROBERT DOZIER
STATE ASSESSOR

SUBJECT: ESTIMATED COST OF A REASSESSMENT
PROJECT FOR THE CITY AND BOROUGH
OF JUNEAU

As requested January 29, 1975, I have prepared for you a fiscal note concerning the current estimated cost required for completion of a comprehensive reassessment project of all real property situated within the City and Borough of Juneau. The proposed project can be completed within a 12 month period by a qualified Alaskan appraisal firm in conformity with professional standards of mass appraisal techniques and all requirements of municipal and state law. The completed project will provide the state and the borough an equalized full and true value real property assessment roll based on actual market values which existed on whatever date is selected and stated in the reassessment project agreement.

It is recommended that the appraisal company be selected by the Commissioner of the Department of Community and Regional Affairs from among the project bidders on the basis of mass appraisal experience and trained available personnel and that the successful bidder shall secure at his own expense and liability, fully qualified personnel, housing, office space, equipment, and supplies required in performing the services under the contract. The Department, in cooperation with municipal officials of the City and Borough of Juneau, shall jointly supervise and evaluate all work in progress to assure that the scope of services are performed by the contractor in compliance with municipal and state law and provisions of the contract agreement and shall cooperate and assist to the fullest degree possible in providing without charge all information, data, records and maps as are existing, available and necessary for carrying out the reassessment project.

The FY 74 budget document prepared for the City and Borough of Juneau allocated \$123,610 to the office of the borough assessor.

The borough assessor has indicated that there are approximately 1500 personal property accounts and 7000 parcels of real property as follows:

<u>TYPE OF PROPERTY</u>	<u>NUMBER OF PARCELS</u>
Residential	3,335
Apartment	73
Commercial/Industrial	378
Trailer Parks	15
Vacant Parcels	<u>3,199</u>
Total	7,000

The above data indicates that approximately 90%, or \$110,000 of the total budget which amounts to \$15.71 per parcel is available annually for the assessment of real property.

Due to the limited funds available, the borough assembly approved an ordinance which requires the borough assessor to reassess 25%, or 1,750 parcels of real property annually, completing the cycle every four years. Based on the above figures which indicated that \$62.95 per parcel is required to assess 25% of the property, a total budget of \$140,000 would be required to reassess all real property in one year.

In August of 1974 the local borough assessor requested an Anchorage appraisal firm having extensive mass appraisal experience in Alaska to submit a cost estimate for completion of a reassessment project for all real property situated within the City and Borough of Juneau.

The firm submitted a tentative proposal of \$40 per parcel or \$280,000 with a provision that the assessor make available to the firm the services of his appraisal staff and office space required for the project. The dollar amount of this provision would depend upon the length of time required to complete the project and could amount to as much as \$10 to \$15 per parcel or approximately \$85,000.

Should the legislature decide to authorize legislation for indemnification in the event of decrease in property values resulting from enactment of the capital move relocation initiative and use equalized real property values as a base, it is imperative that the base on which individual and collective allocations will be made is established under the highest degree of professional standards.

Based on my personal experience, the data as presented and the recommendations as outlined above; a bid of \$50 to \$65 per parcel or approximately \$400,000 should be made available to complete the project in 12 months of the date of the contract agreement. An increase in per parcel cost or a substantial loss in program proficiency may be anticipated in direct proportion to the decrease in time allocated less than one year for completion of the project.

SRD:lmb

	1973		1972		1971	
	Statewide	Juneau	Statewide	Juneau	Statewide	Juneau
JAN	102592	7453	1.11 96531	7022	91379	5751
FEB	103532	7453	97415	7044	91837	6151
MARCH	105000	7662	99856	7276	92807	7000
APRIL	107102	7573	103275	7567	96326	7357
MAY	115873	8143	109796	7782	101851	7426
JUNE	120879	8391	116000	8261	109159	7841
JULY	126714	8554	123809	8364	117051	7842
AUG	129927	8532	122710	8446	116777	7542
SEPT	125235	8533	117935	8577	112975	7661
OCT	119775	8332	114277	8162	108356	7133
NOV	114546	8112	110450	7783	104704	7117
DEC	111938	7957	107976	7679	101600	7054

	1974			
	Statewide	Juneau	Statewide	Juneau
JAN	107729	7557	9101	
FEB	110000	7684		
MARCH	114355	7902		
APRIL	123549	8263		
MAY	133207	8661		
JUNE	140214	8653	6.17%	
JULY	147344	8990	6.01%	.56%
AUG	150440	9081	6.07%	.73%
SEPT	149746	9093		
<u>ESTIMATES</u>				
OCT	142000	8800	6.14%	.75%
NOV	135000	8536		
DEC	128000	8100		



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 18, 1975

The Honorable Mike Bradner
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Pursuant to the Uniform Rules of the Legislature, I am transmitting a bill to provide for the indemnification of the residents of the City and Borough of Juneau for losses experienced in the sale of real property due to the relocation of the State capital. It is proposed that this program be administered by the Alaska State Housing Authority.

The indemnification program will go into effect when the level of employment in Juneau relative to the level of employment throughout the State falls below the level calculated in the base year (which will be Fiscal Year 1975) and remains there for three consecutive months, or when the director of ASHA determines that the condition of the Juneau real estate market so warrants, whichever occurs first. The bill will then remain in effect for ten years or until such time as Juneau employment again regains its former position relative to that of the State as a whole.

During this period individuals who must leave the City and Borough of Juneau and are unable to sell their homes except at a loss will be able to receive indemnification for the difference in amount between the "adjusted" base year value, as determined by an assessment which will be made in 1975, and the sales price. The base year value will be adjusted to account for depreciation, major additions, renovations, improvements and maintenance.

If private individuals are unable to find a private buyer, ASHA will be empowered to make an outright purchase of the property at 95 percent of value. The five percent reduction from full value reflects closing and other costs which the seller, but for the ASHA sale, would bear himself.

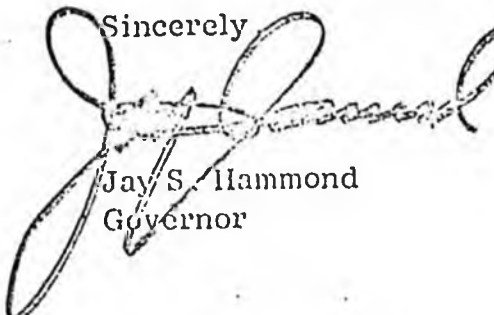
The Honorable Mike Bradner

-2-

February 18, 1975

Individual property owners within the City and Borough of Juneau may never be fully compensated for the losses suffered as a result of the proposed capital move. However, this bill would provide a reasonable method for cushioning them from the blows of catastrophic economic loss which they might otherwise suffer.

Sincerely

A handwritten signature in cursive script, appearing to read "Jay S. Hammond". The signature is written in dark ink and is positioned above the printed name and title.

Jay S. Hammond
Governor

Original sponsor: Rules Committee by
request of the Governor

Offered: 4/29/75
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 173 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing for indemnification in the event of a
7 decrease in property values within the City and Borough
8 of Juneau resulting from enactment of the capital
9 relocation initiative; and providing for an effective
10 date."

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12 * Section 1. PURPOSE. The purpose of this Act is to establish a mecha-
13 nism for the fair and equitable indemnification of individuals, businesses or
14 corporations who experience financial losses when selling property located
15 within the City and Borough of Juneau because of the relocation of the state
16 capital.

17 * Sec. 2. ROLE OF COMMISSIONER. The commissioner of community and
18 regional affairs shall administer the indemnification program.

19 * Sec. 3. INDEMNIFICATION FOR FINANCIAL LOSS. The commissioner shall

20 (1) accept, on forms prescribed by the commissioner, applications
21 for reimbursement; the application must be signed by the owner of the eligible
22 property and, if the property is subject to a mortgage, by the mortgagee;

23 (2) determine that the actual sale price was the result of a
24 reasonable effort by the seller to sell the property on the open market;

25 (3) determine the difference between the actual price at the time
26 of sale, computed as specified in sec. 10 of this Act, and the fair market
27 value as specified in sec. 11 of this Act;

28 (4) determine, if the actual sales price is less than 95 per cent
29 of the adjusted base year fair market value, that portion of the difference

1 which is attributable to the impact of the capital relocation initiative;

2 (5) approve an indemnification amount in accordance with (4) of
3 this section before the consummation of the sale of the property and transfer
4 the indemnification amount to the seller within 30 days after the consumma-
5 tion of the sale of the property;

6 (6) submit applications for reimbursement on business capital
7 assets to the Legislative Budget and Audit Committee for a determination as
8 to whether the decline in market value is attributable to the capital reloca-
9 tion initiative.

10 * Sec. 4. PURCHASE OF PROPERTY. If eligible property with marketable
11 title cannot be sold, the commissioner shall, after he has determined that
12 reasonable efforts to find a buyer have been made, purchase the property.
13 The purchase price shall be 95 per cent of the adjusted base year fair market
14 value according to sec. 11 of this Act.

15 * Sec. 5. COMMISSIONER TO MANAGE PURCHASED PROPERTY. The commissioner
16 may take any reasonable action necessary for the safety and maintenance of
17 property acquired under this Act.

18 * Sec. 6. AUTHORITY TO DISPOSE OF PURCHASED PROPERTY. (a) The commis-
19 sioner may dispose of property acquired under this Act at public sale to the
20 highest bidder on such terms as he considers beneficial to the state.

21 (b) The commissioner shall provide the public with notice of a proposed
22 sale. The notice shall identify specific parcels of property and any encum-
23 brances to which they may be subject.

24 (c) The commissioner may, at his discretion, offer for sale units of
25 state property made by combining parcels of land acquired under this Act,
26 parcels as purchased by him, or portions of parcels purchased by him.

27 (d) The commissioner shall convey marketable title to the purchaser of
28 the property.

29 (e) The purchaser under this section shall pay his own closing costs.

1 # Sec. 7. CAPITAL RELOCATION REVOLVING FUND. (a) There is created the
2 capital relocation revolving fund which consists of money appropriated by the
3 legislature, money received in payment for property sold as provided in sec.
4 6 of this Act, and any other money transferred to the commissioner for the
5 indemnification program including any money transferred for this purpose by
6 the United States.

7 (b) The commissioner or his designee, after consultation with the
8 Legislative Budget and Audit Committee, may authorize withdrawals from the
9 fund for the purpose of implementing the provisions of secs. 3 - 6 of this
10 Act.

11 # Sec. 8. ELIGIBLE PROPERTY. An indemnification application, provided
12 for in sec. 3 of this Act, may be filed by any person owning real property, a
13 mobile home, or business capital assets, subject to the following provisions:

14 (1) Residential property, both real and mobile homes, including
15 both land and fixtures, must be in actual use as a residence at the time the
16 application for indemnification is submitted.

17 (2) Real property and mobile home property held for investment
18 purposes must be owned by the applicant for at least one year before the
19 application is submitted. All those structures listed as mobile homes by the
20 assessor of the City and Borough of Juneau for property tax purposes and used
21 as a residence shall be considered mobile home property.

22 (3) Business capital assets include rental real property and major
23 items of fixed equipment and machinery which produce income but are not
24 bought or sold in the ordinary course of the proprietor's business. Business
25 capital assets must be in use in an ongoing business which has been carried
26 on for at least one year before the application is submitted.

27 (4) Business property, including both land and fixtures, must be
28 used for an ongoing business which has been carried on for at least one year
29 before the application is submitted.

1 shall the quarterly adjustment factor exceed the average quarterly rate of
2 increase in the index for the calendar years 1971 through 1974.

3 (b) The fair market value for mobile home property shall be computed
4 using the methods employed by the assessor of the City and Borough of Juneau
5 in arriving at market value for tax purposes. The fair market value shall be
6 reviewed by the commissioner following an on-site inspection of the property
7 and is subject to revision.

8 (c) The fair market value of business capital assets shall be computed
9 on the basis of replacement cost in the year of sale less depreciation.

10 * Sec. 12. BASE YEAR ASSESSMENT. (a) The state assessor shall within
11 one year of the effective date of this Act take the steps necessary to complete
12 the assessment of all real property within the City and Borough of Juneau at
13 its full and true value as of January 1, 1976. All additional real property
14 coming into existence between January 1, 1976 and January 1, 1978 shall be
15 appraised at its full and true value as of the assessment date for tax pur-
16 poses in that year.

17 (b) The cost of the initial assessment shall be paid equally by the
18 state and the City and Borough of Juneau. Assessments on additional real
19 property shall be paid by the City and Borough of Juneau.

20 (c) A property owner aggrieved by determination of his assessment may
21 appeal under AS 29.53.130 - 29.53.135.

22 (d) All adjustments in valuation approved by the board of equalization
23 are subject to review and final approval by the commissioner. A property
24 owner may appeal the final determination in accordance with AS 29.53.140.

25 * Sec. 13. REGULATIONS. The commissioner shall adopt regulations in
26 accordance with the Administrative Procedure Act (AS 44.62) to carry out the
27 purposes of this Act.

28 * Sec. 14. ANNUAL REPORT. The commissioner shall submit an annual report
29 of his activities under this Act to the governor and the legislature at the

1 beginning of each regular legislative session.

2 * Sec. 15. DEFINITIONS. In this Act "commissioner" means the commis-
3 sioner of community and regional affairs.

4 * Sec. 16. EFFECTIVE DATE. This Act takes effect immediately in accor-
5 dance with AS 01.10.070(c).

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29 of his activities under this Act to the governor and the legislature at the

Original sponsor: Rules Committee by
request of the Governor

Offered: 4/21/75
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 173

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing for indemnification in the event of a
7 decrease in property values within the City and Borough
8 of Juneau resulting from enactment of the capital
9 relocation initiative; and providing for an effective
10 date."

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12 * Section 1. PURPOSE. The purpose of this Act is to establish a mecha-
13 nism for the fair and equitable indemnification of individuals, businesses or
14 corporations who experience financial losses when selling property located
15 within the City and Borough of Juneau because of the relocation of the state
16 capital.

17 * Sec. 2. ROLE OF COMMISSIONER. The commissioner of the Department of
18 Community and Regional Affairs shall administer the indemnification program.

19 * Sec. 3. INDEMNIFICATION FOR FINANCIAL LOSS. If the commissioner deter-
20 mines that the program commencement criteria specified in sec. 9 of this Act
21 have been met, he shall

22 (1) accept, on forms prescribed by the commissioner, applications
23 for reimbursement; the application must be signed by the owner of the eligible
24 property and, if the property is subject to a mortgage, by the mortgagee;

25 (2) determine that the actual sale price was the result of a
26 reasonable effort by the seller to sell the property on the open market;

27 (3) determine the amount of reimbursement by subtracting the
28 actual sales price at the time of sale, computed as specified in sec. 11 of
29 this Act, from the fair market value as specified in sec. 12 of this Act;

1 (4) approve the indemnification amount before the consummation
2 of the sale of the property and transfer the indemnification amount to the
3 seller within 30 days after the consummation of the sale of the property.

4 * Sec. 4. PURCHASE OF PROPERTY. If a piece of eligible property with
5 marketable title cannot be sold, the commissioner shall, after he has deter-
6 mined that reasonable efforts to find a buyer have been made, purchase the
7 property. The purchase price shall be 95 per cent of the adjusted base year
8 fair market value according to sec. 12 of this Act.

9 * Sec. 5. COMMISSIONER TO MANAGE PURCHASED PROPERTY. The commissioner
10 may take any reasonable action necessary for the safety and maintenance of
11 property acquired under this Act.

12 * Sec. 6. AUTHORITY TO DISPOSE OF PURCHASED PROPERTY. (a) The commis-
13 sioner may dispose of property acquired under this Act at public sale to the
14 highest bidder on such terms as he considers beneficial to the state.

15 (b) The commissioner shall provide the public with notice of a proposed
16 sale. The notice shall identify specific parcels of property and any encum-
17 brances to which they may be subject.

18 (c) The commissioner may, at his discretion, offer for sale units of
19 state property made by combining parcels of land acquired under this Act,
20 parcels as purchased by him, or portions of parcels purchased by him.

21 (d) The commissioner shall convey marketable title to the purchaser of
22 the property.

23 (e) The purchaser under this section shall pay his own closing costs.

24 * Sec. 7. CAPITAL RELOCATION REVOLVING FUND. (a) There is created the
25 capital relocation revolving fund which is composed of money appropriated by
26 the legislature, money received in payment for property sold as provided in
27 sec. 6 of this Act, and any other money transferred to the commissioner for
28 the indemnification program including any money transferred for this purpose
29 by the United States.

1 (b) The commissioner or his designee may authorize withdrawals from the
2 fund for the purpose of implementing the provisions of secs. 3, 4, 5 and 6 of
3 this Act.

4 * Sec. 8. ELIGIBLE PROPERTY. An indemnification application, provided
5 for in sec. 3 of this Act, may be filed by any person owning real property, a
6 mobile home, or capital assets, which were in existence before January 1,
7 1978, subject to the following provisions:

8 (1) Residential property, including both land and fixtures, must
9 be in actual use as a residence at the time of the commencement of the indem-
10 nification program.

11 (2) Real property held for investment purposes must be owned by
12 the applicant for at least three months before the commencement of the indem-
13 nification program.

14 (3) Mobile home property, including land, homes and fixtures, must
15 be owned by the applicant at the time of the commencement of the indemnifica-
16 tion program. All those structures listed as mobile homes by the assessor of
17 the City and Borough of Juneau for property tax purposes and used as a pri-
18 mary residence by an applicant for indemnification shall be considered mobile
19 home property.

20 (4) Business capital assets include rental property and major
21 items of machinery and fixed equipment which produce income but are not
22 bought or sold in the ordinary course of the proprietor's business. Business
23 capital assets must be in use in an ongoing business which has been carried
24 on for at least three months before commencement of the program.

25 (5) Business property, including both land and fixtures, must be
26 used for an ongoing business which has been carried on for at least three
27 months before the commencement of the indemnification program.

28 (6) Personal property other than mobile homes and business inven-
29 tories are not eligible for indemnification under this program.

1 (7) Real property held for recreational purposes is not eligible
2 for indemnification under this program.

3 (8) Real property owned by a public utility is not eligible for
4 indemnification under this program.

5 * Sec. 9. COMMENCEMENT OF THE INDEMNIFICATION PROGRAM. (a) The commis-
6 sioner shall begin to process indemnification applications at the time the
7 first of either of the following occurs:

8 (1) the commissioner makes a determination that the average Juneau
9 employment share in a particular month falls below the fiscal year 1976 aver-
10 age Juneau employment share by more than five per cent for that same month
11 and remains below that average for three consecutive months; or

12 (2) the commissioner certifies that there has occurred a precipi-
13 tous decline in the market value of property offered for sale in the City and
14 Borough of Juneau; in making this determination, the commissioner shall con-
15 sider the number of pieces of property being offered for sale, the number of
16 potential buyers, loss of population within the City and Borough of Juneau,
17 and the ability of new residents to purchase property offered for sale on the
18 Juneau market at a fair market price.

19 (b) The average Juneau employment share for a particular month shall be
20 determined by computing the percentage of the average employment in the whole
21 state that month represented by the average employment in Juneau during the
22 same month. The estimates used to make this computation shall be drawn from
23 the monthly estimates of civilian employment prepared by the Alaska Depart-
24 ment of Labor.

25 * Sec. 10. CONCLUSION OF THE INDEMNIFICATION PROGRAM. No application may
26 be accepted after the legislature sitting at the new capital site declares
27 the indemnification program terminated.

28 * Sec. 11. ACTUAL SALES PRICE. The actual sales price includes the cost
29 of any real estate commission and other selling expenses.

1 * Sec. 12. FAIR MARKET VALUE. (a) The fair market value for eligible
2 property other than mobile homes and capital assets shall be computed by
3 adjusting either the value of the property determined in the base year assess-
4 ment under sec. 13 of this Act, or the actual sales price received from a
5 prior sale after commencement of this report, whichever is less:

6 (1) upward to account for the cost of any additions, renovations,
7 or improvements made on the property;

8 (2) downward to account for any decrease in property value result-
9 ing from unrestored, complete or partial destruction or loss attributable to
10 natural disaster, fire, accident, riot, vandalism, or similar unexpected and
11 sudden physically damaging event;

12 (3) downward to account for loss in value due to inadequate mainte-
13 nance as determined by the commissioner; and

14 (4) upward to reflect quarterly changes in value as determined by
15 comparing the then current quarterly homeownership costs in the Anchorage
16 consumer price index, published by the United States Department of Labor,
17 Bureau of Labor Statistics with those published for July 1975; in no case
18 shall the quarterly adjustment factor exceed the average quarterly rate of
19 increase in the index for the calendar years 1971 through 1974.

20 (b) The fair market value for mobile home property shall be computed
21 using the methods employed by the assessor of the City and Borough of Juneau
22 in arriving at market value for tax purposes. The fair market value shall be
23 reviewed by the commissioner following an on-site inspection of the property
24 and is subject to revision.

25 (c) The fair market value of capital assets shall be computed on the
26 basis of sales year replacement cost less depreciation.

27 * Sec. 13. BASE YEAR APPRAISAL. (a) The state assessor shall within one
28 year of the effective date of this Act take the steps necessary to complete
29 the appraisal of all real property within the City and Borough of Juneau at

1 its full and true value as of January 1, 1976. All additional real property
2 coming into existence between January 1, 1976 and January 1, 1978 shall be
3 appraised at its full and true value as of the assessment date for tax pur-
4 poses in that year.

5 (b) The cost of the initial assessment shall be paid equally by the
6 state and the City and Borough of Juneau. Assessments on additional real
7 property shall be paid by the City and Borough of Juneau.

8 (c) All adjustments in valuation approved by the board of equalization
9 are subject to review and final approval by the commissioner.

10 (d) An applicant for indemnification aggrieved by any determination of
11 the base year assessment may appeal under AS 29.53.130 - 29.53.135. A deter-
12 mination of the board of equalization or subsequently by the commissioner is
13 final.

14 * Sec. 14. REGULATIONS. (a) The commissioner shall adopt regulations
15 necessary to carry out the purposes of this Act.

16 (b) Following adequate public notice, the commissioner shall hold
17 public hearings in Juneau before adopting any regulations.

18 (c) The commissioner must obtain the approval of the attorney general
19 for any proposed regulations but otherwise need not comply with the provi-
20 sions of AS 44.62.

21 * Sec. 15. ANNUAL REPORT. The commissioner shall submit an annual report
22 of his activities under this Act to the governor and the legislature at the
23 beginning of each regular legislative session.

24 * Sec. 16. DEFINITIONS. In this Act "commissioner" means the commis-
25 sioner of the Department of Community and Regional Affairs.

26 * Sec. 17. EFFECTIVE DATE. This Act takes effect immediately in accor-
27 dance with AS 01.10.070(c).
28
29

Introduced: 2/18/75
Referred: State Affairs and
Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 173

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing for indemnification in the event of
7 a decrease in property values within the City and
8 Borough of Juneau resulting from enactment of the
9 capital relocation initiative; and providing for an
10 effective date."

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12 * Section 1. PURPOSE. The purpose of this chapter is to establish a
13 mechanism for the fair and equitable indemnification of persons who experi-
14 ence financial losses when selling property located within the City and
15 Borough of Juneau because of the relocation of the state capital.

16 * Section 2. ROLE OF ALASKA STATE HOUSING AUTHORITY. The Director of
17 the Alaska State Housing Authority shall administer the indemnification
18 program.

19 * Section 3. INDEMNIFICATION FOR FINANCIAL LOSS. If the director
20 determines the program commencement criteria specified in sec. 9 of this
21 Act have been met, the Alaska State Housing Authority shall:

22 (1) accept, on forms prescribed by the authority, applications
23 for reimbursement; the application must be signed by the owner of the real
24 property and, if the property is subject to a mortgage, by the mortgagor;

25 (2) determine the amount of reimbursement by subtracting the
26 adjusted market price at the time of sale, computed as specified in sec. 11
27 of this Act, from the adjusted base year fair market value as specified in
28 sec. 12 of this Act;

29 (3) approve the indemnification amount before the consummation

1 of the sale of the property and transfer the indemnification amount to the
2 seller within 30 days after the consummation of the sale of the property.

3 * Section 4. PURCHASE OF PROPERTY. If a piece of real property cannot
4 be sold, the authority may, after the director has determined that reasonable
5 efforts to find a buyer have been made, purchase the property. The purchase
6 price shall be 95 per cent of the adjusted base year fair market value
7 according to sec. 12 of this Act.

8 * Section 5. AUTHORITY TO MANAGE PURCHASED PROPERTY. The authority may
9 take any reasonable action necessary for the safety and maintenance of
10 property acquired under this Act.

11 * Section 6. AUTHORITY TO DISPOSE OF PURCHASED PROPERTY. (a) The
12 authority may dispose of property acquired under this Act at public
13 sale to the highest bidder on such terms as it considers beneficial to the
14 state.

15 (b) The authority shall provide the public with notice of a proposed
16 sale. The notice shall identify specific parcels of property and any
17 encumbrances to which they may be subject.

18 (c) The authority may, at its discretion, offer for sale units of
19 state property made by combining parcels of land acquired under this Act,
20 parcels as purchased by the authority, or portions of parcels purchased by
21 the authority.

22 (d) The authority shall convey marketable title to the purchaser of
23 the property.

24 (e) The purchaser under this section shall pay his own closing costs.

25 * Section 7. CAPITAL RELOCATION REVOLVING FUND. (a) There is created
26 the Capital Relocation Revolving Fund which is composed of money appropriated
27 by the legislature, money received in payment for property sold as provided
28 in sec. 6 of this Act, and any other money transferred to the authority for
29 the indemnification program including any money transferred for this purpose

1 by the United States.

2 (b) The director or his designee may authorize withdrawals from the
3 fund for the purpose of effectuating the provisions of secs. 3, 4, 5 and 6
4 of this Act.

5 * Section 8. ELIGIBILITY. (a) An indemnification application, provided
6 for in sec. 3 of this Act, may be filed by any person owning real property
7 located within the City and Borough of Juneau if all the following conditions
8 are met:

9 (1) residential property must be in actual use as the primary
10 residence of the owner of the property at the time of the commencement of
11 the indemnification program;

12 (2) business property must contain a structure in which an on-
13 going business has been carried on for at least three months before the
14 commencement of the indemnification program;

15 (3) the prospective seller of either residential property or
16 business property must indicate an intention to leave the City and Borough
17 of Juneau and establish a domicile in another location outside the City and
18 Borough of Juneau.

19 (b) If, after selling his property and receiving a payment as provided
20 in secs. 3 or 4 of this Act, a person elects to remain in the City and
21 Borough of Juneau, the authority may commence legal action in superior
22 court for the return of any money paid under secs. 3 or 4 of this Act.

23 * Section 9. COMMENCEMENT OF THE INDEMNIFICATION PROGRAM. (a) The
24 authority shall begin to process indemnification applications at the time
25 the first of either of the following occurs:

26 (1) the director makes a determination that the average Juneau
27 employment share in a particular month falls below the Fiscal Year 1975
28 average Juneau employment share by more than one per cent for that same
29 month and remains below that average for three consecutive months; or

1 (2) the director certifies that there has occurred a precipitous
2 decline in the market value of property offered for sale in the City and
3 Borough of Juneau; in making this determination, the director shall consider
4 the number of pieces of property being offered for sale, the number of
5 potential buyers, loss of population within the City and Borough of Juneau,
6 and the ability of new residents to purchase property offered for sale on
7 the Juneau market at a fair market price.

8 (b) The average Juneau employment share for a particular month shall
9 be determined by computing the percentage of the average employment in the
10 whole state that month represented by the average employment in Juneau
11 during the same month. The estimates used to make this computation shall
12 be drawn from the monthly estimates of civilian employment prepared by the
13 Alaska Department of Labor.

14 * Section 10. CONCLUSION OF THE INDEMNIFICATION PROGRAM. No application
15 may be accepted after any of the following occurs:

16 (1) the director determines that the average Juneau employment
17 share for a particular month calculated as required in sec. 9(b) of this
18 Act equals or exceeds the Fiscal Year 1975 average Juneau employment share
19 in each of three consecutive months;

20 (2) the director determines that the market value of property
21 offered for sale within the City and Borough of Juneau has regained the
22 levels of the base year assessment; or

23 (3) after 10 years from the date on which the program began.

24 * Section 11. ADJUSTED MARKET PRICE. The market price at the time of
25 sale is the actual sales price including the cost of any real estate com-
26 mission and other selling expenses.

27 * Section 12. ADJUSTED BASE YEAR FAIR MARKET VALUE. (a) The adjusted
28 base year fair market value shall be computed by adjusting the value of the
29 property determined in the base year assessment: (1) upward to account for

1 the cost of any additions, renovations, or improvements made on the property;
2 (2) downward to account for any decrease in property value resulting from
3 unrestored, complete or partial destruction or loss attributable to natural
4 disaster, fire, accident, riot, vandalism, or similar unexpected and sudden
5 physically damaging event; and (3) downward to account for loss in value
6 due to inadequate maintenance as determined by the director.

7 (b) The adjusted base year fair market value of residential property
8 shall be adjusted upward to reflect quarterly changes in value as determined
9 from the July 1975 National Consumer Price Index for Homeownership published
10 by the U.S. Department of Labor, Bureau of Labor Statistics.

11 (c) The adjusted base year fair market value of business property
12 shall be adjusted downward to account for depreciation which occurred in
13 the period intervening between the base year assessment and the actual
14 sale. Depreciation shall be taken at the same rate as depreciation actually
15 claimed for income tax purposes or at the rate allowed by the Internal
16 Revenue Service for property of a similar nature.

17 * Section 13. THE ESTIMATED FAIR MARKET PURCHASE PRICE. (a) The
18 estimated fair market price shall be computed by adjusting the value of the
19 property determined in the base year assessment: (1) upward to account for
20 the cost of any additions, renovations, or improvements made on the property;
21 (2) downward to account for any decrease in property value resulting from
22 unrestored, complete or partial destruction or loss attributable to natural
23 disaster, fire, accident, riot, vandalism, or similar unexpected and sudden
24 physically damaging event; and (3) downward to account for loss in value
25 due to inadequate maintenance as determined by the director.

26 (b) The estimated fair market purchase price of residential property
27 shall be adjusted upward to reflect quarterly changes in value as determined
28 from the July 1975 National Consumer Price Index for Homeownership published
29 by the U.S. Department of Labor, Bureau of Labor Statistics.

1 (c) The estimated fair market purchase price of business property
2 shall be adjusted downward to account for depreciation which occurred in
3 the period between the base year assessment and the date of actual purchase.
4 The authority shall require that depreciation be taken at the same rate as
5 depreciation actually claimed for income tax purposes or at the rate allowed
6 by the Internal Revenue Service for property of a similar nature.

7 * Section 14. BASE YEAR ASSESSMENT. (a) The state assessor shall take
8 the steps necessary to assess the value of all real property in the City
9 and Borough of Juneau before January 1, 1976.

10 (b) The cost of this assessment shall be paid equally by the state
11 and by the City and Borough of Juneau.

12 * Section 15. REGULATIONS. (a) The authority shall adopt regulations
13 necessary to carry out the purposes of this chapter.

14 (b) Following adequate public notice, the authority shall hold public
15 hearings in Juneau before adopting any regulations.

16 (c) The authority must obtain the approval of the attorney general
17 for any proposed regulations but otherwise need not comply with the provisions
18 of AS 44.62.

19 * Section 15. ANNUAL REPORT. The authority shall submit an annual
20 report of its activities under this chapter to the governor and the legis-
21 lature at the beginning of each regular legislative session.

22 * Section 16. DEFINITIONS. In this Act, "authority" means the Alaska
23 State Housing Authority, and "director" means the director of the authority.

24 * Section 17. EFFECTIVE DATE. This Act takes effect immediately in
25 accordance with AS 01.10.070(c).

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