

S B

307

SENATE COMMITTEE REPORT

DATE: 2/19/90

FURTHER:

DATE TURNED INTO OFFICE: 3/15/90

L & C

Committee considered

SB 307

Property foreclosed upon by a municipality

and recommended:

- replace with _____ CS _____
- or adopt _____ CS _____
- attached amendment(s)
- _____ letter of intent adopted

- same title
- new title
- technical title change (HB only)

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

APPROVES PREVIOUS:

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

Dept of Revenue 2/1/90

Dept of Community/Regional Affairs 2/9/90

Governor's bill w/fiscal note

SIGNING DO PASS:

[Handwritten Signature]
[Handwritten Signature]
[Handwritten Signature]

OTHER RECOMMENDATIONS:

[Handwritten Signature] do pass
 Chair: Signature and Recommendation



Legislative Budget and Audit Committee

Senator Jalmar Kerttula, Chairman

March 15, 1990

TO: Senator Eliason

FROM: Senator Kerttula

A handwritten signature in black ink, appearing to read "Jalmar Kerttula", written over the printed name.

Attached is a proposed letter of intent to Senate Bill 307, which I am planning on suggesting to the Senate Labor and Commerce Committee.

PROPOSED LABOR AND COMMERCE COMMITTEE

LETTER OF INTENT TO SENATE BILL 307

It is the intent of the Labor and Commerce Committee that a municipality is not to charge a greater interest under section 1(a)(1) than is necessary to sustain the costs of administering foreclosure activities and warehousing property documents until the time of repurchase.

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "An Act relating to property fore-
 closed upon by a municipality."
 Sponsor: Senator Pearce
 Requestor: _____

Agency Affected: Community & Regional Affairs
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

There is no fiscal effect for FY 90.

Prepared by: *Jim Plasman*
 Division: Municipal & Regional Assistance Phone: 465-4750
 Date: 2-7-90

Approved by Commissioner: *Archie Hall* Date: 2-4-90
 Agency: Community & Regional Affairs

Distribution (by preparer) :
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Revenue
 Title: Repurchase from Municipality of
Foreclosed Property BRU: Treasury
 Sponsor: Pearce Components: _____
 Requestor: Senate Community & Regional
Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: attach a separate page for analysis.

Fiscal year 1990 effect is zero.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: February 16, 1990

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 2/16/90

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget

Impacted Agency(ies)

Alaska State Legislature

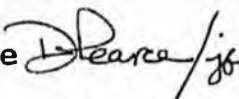
3111 C Street, Suite 150
Anchorage, Alaska 99503
(907) 561-2038

During Session:
P.O. Box V
Juneau, Alaska 99811
(907) 465-4993

Senator Drue Pearce District G

SPONSOR STATEMENT

TO: Senator Dick Eliason, Chairman
Senate Labor and Commerce Committee

FROM: Senator Drue Pearce 

RE: Senate Bill 307

DATE: March 5, 1990

Current statutes provide that the previous owner may repurchase a tax foreclosed property for 10 years after foreclosure but before the property is sold. To redeem the property, the previous owner must pay the full amount owed to a municipality under the judgment and decree plus interest not to exceed 15 percent a year from the date of entry of the judgment to the date of repurchase PLUS delinquent taxes and levied as though the property had remained in private ownership PLUS costs of foreclosure and sale. If a municipality sells the property during the 10 year period, the previous owner is entitled to the proceeds beyond the costs mentioned above.

No provision is made for a municipality to recover "holding costs" that include insurance, maintenance and repair, association dues, reasonable management fees and such other costs that a prudent property owner would incur.

The Alaska Municipal League and the Municipality of Anchorage support passage of this legislation.

DP:jf

STEVE COWPER, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

February 14, 1990

- P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 403
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

POSITION PAPER

RE: Senate Bill 307

SPONSOR: Senator Drue Pearce

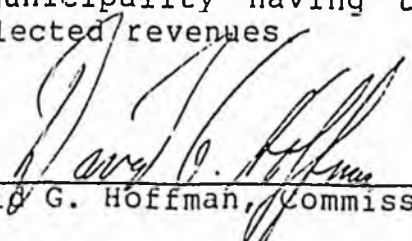
Program Effects

Senate Bill 307 provides for reimbursement to municipalities for certain costs incurred as a result of maintaining and managing property which has been foreclosed on because of non-payment of local property taxes. The bill adds to the existing list of costs those expenditures by a municipality for insurance, repairs, association dues (condominium), and management fees.

Comments

Over the past few years, as municipal economies have been negatively impacted by reduced revenues, the subsequent reductions in populations have magnified problems related to property foreclosure. Municipalities typically must foreclose on properties which are less desirable and, therefore difficult to sell. Those types of property are likely to be in need of costly repair before they can be marketed. These problems, combined with a glut of available property on the market, cause the holding period to be extended, thereby increasing the costs to municipalities for maintenance and management of the properties.

The department supports the passage of SB 307. The bill provides for fair and reasonable reimbursement of maintenance and management expenses, and only to the extent that those expenses exceed any income to the municipality through rental or other payments made during the holding period. The recovery of these costs through the sale of the property would eliminate the present necessity of the municipality having to pay the costs by using other locally-collected revenues



David G. Hoffman, Commissioner

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

February 14, 1990

- P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700
- 949 E. 38TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

POSITION PAPER

RE: Senate Bill 307

SPONSOR: Senator Drue Pearce

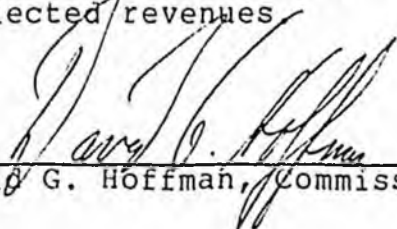
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The department supports the passage of SB 307. The bill provides for fair and reasonable reimbursement of maintenance and management expenses, and only to the extent that those expenses exceed any income to the municipality through rental or other payments made during the holding period. The recovery of these costs through the sale of the property would eliminate the present necessity of the municipality having to pay the costs by using other locally-collected revenues.



David G. Hoffman, Commissioner



Fairbanks North Star Borough

25th Silver Anniversary

March 13, 1990

The Honorable Dick Eliason, Chairman
Senate Labor and Commerce Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Senator Eliason:

The Fairbanks North Star Borough is concerned about any proposal to change the provisions of Senate Bill No. 307 that affects interest rates which can be charged on delinquent taxes (Section I.A.1). The original language of the bill perpetuates the current provisions in AS 29.45.250 and AS 29.45.470 relating to interest on delinquent taxes, and is appropriate in its present form.

Our opposition to changing the interest rate provision on delinquent property taxes is based on experience. The Fairbanks North Star Borough charges only 8% interest on delinquent taxes. Our observations are as follows:

Some individuals are willing to let their taxes go unpaid because the interest rate we were charging is less than could be obtained from any lending institution. In some cases, individuals who have the funds to pay the Borough taxes refuse to do so because they have their money in investments which were yielding higher rates of return than the Borough was charging. The Borough in effect has been an involuntary lending institution.

The low rate of interest on delinquent taxes provides an incentive for people not to pay delinquent taxes once they became delinquent. This results in unnecessarily high rates of delinquency and more difficult foreclosure processes. The overall affect of this situation is to penalize those members of the community who pay their taxes timely as a matter of civic pride, or respect for the intent of the law. This occurs because it becomes necessary to raise our mill rate to compensate for the unnecessarily high rate of delinquency; thus, those who pay timely also have to pay more because of a few individuals who take advantage of the situation.

The situations described above were much more serious a few years ago when interest rates were generally much higher than they are presently.

Letter to Senator Dick Eliason
March 13, 1990
Page Two

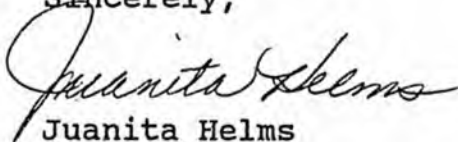
Our experience points out that it is desirable to have the rate of interest charged by the Borough to be similar to what is being charged in the financial community. If the municipalities interest rates become much less than the market rate, serious collection problems result, and the timely taxpayer is ultimately harmed.

I would also like to point out that the State law only sets a maximum which the taxing authorities may charge. In our case the Assembly has kept the actual rate charged well below the maximum allowed. It is appropriate for some latitude in this decision to be left to the individual municipalities in order that they might address their specific situations appropriately.

Senate Bill No. 307 clarifies the municipality's ability to be reimbursed for costs incurred incidental to the enforcement of property tax liens, and is appropriate in its present form. The Fairbanks North Star Borough Administration supports its passage as currently worded.

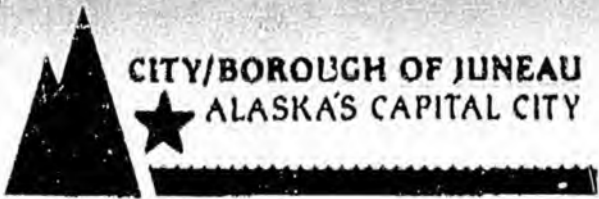
Thank you for considering our concerns relating to this bill.

Sincerely,



Juanita Helms
Mayor

cc: Senator Drue Pearce
Alaska Municipal League



CITY/BOROUGH OF JUNEAU
★ ALASKA'S CAPITAL CITY

March 13, 1990

The Honorable Dick Eliason
The State Senate
Chair, Senate Labor and Commerce Committee
Juneau, Alaska 99801

Dear Honorable Eliason:

SUBJECT: SB307 - Relating to Property Foreclosures

The City and Borough of Juneau supports the intent of SB307, which allows municipalities to "recover costs incurred in maintaining and managing foreclosed property". We also support the interest rate cap provision of 15%.

We are concerned that the committee would consider an interest rate cap inconsistent with other parts of Title 29. We recommend, at minimum, the interest rate be consistent at 15% through the redemption period. We support our position for the following reasons:

1. Rates should be consistent throughout the foreclosure process. This reduces municipal work loads and confusion.
2. Property tax is the main source of revenue for our general operating budget. Interest rates should be high enough to act as an incentive. Our experience has shown taxpayers tend to use tax delinquencies as a method of financing when interest rates are high.

The City and Borough currently charges 10% interest on delinquent accounts. We consider that rate reasonable and would like to retain the flexibility of adopting highest rates if the need arises.

If you have additional questions please feel free to contact me at 586-5215.

Sincerely yours,

Mary A. Cook
Mary A. Cook
Finance Director

By [Signature]
Treasurer

MAC:bp

cc: Senator Drue Pearce

**Municipality
of
Anchorage**



P.O. BOX 196850
ANCHORAGE, ALASKA 99519-6850
(907) 343-6661

TOM FINK,
MAYOR

DEPARTMENT OF FINANCE
Treasury Division

March 13, 1990

Dick Eliason, Senator
Chair of the Senate Labor & Commerce Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Eliason:

Subject: Senate Bill 307 "An Act Relating to property foreclosed upon by a Municipality"

We have been informed that the Senate Labor & Commerce Committee heard testimony on Senate Bill 307 that proposed reducing the interest rate specified in section 1.a.1. of the Bill.

The interest rate cap should not be changed. The 15% maximum rate under the current law allows municipalities the flexibility necessary to tailor delinquent tax interest rates to local conditions, community opinion and market conditions.

The Municipality strongly supports Senate Bill 307 as it was introduced; to permit municipalities to effectively maintain foreclosed property for the benefit of the neighborhood and the community without imposing the cost of holding these properties on other taxpayers.

Sincerely,

Ellen B. Braden
Treasurer

EBB:svj

cc: Senator Drue Pearce

By: Hank Hove
Introduced: 03/08/90
Adopted: 03/08/90

RESOLUTION NO. 90-029

A RESOLUTION URGING PASSAGE OF SENATE BILL 307 RELATING TO
PROPERTY FORECLOSED UPON BY A MUNICIPALITY

WHEREAS, if a municipality forecloses on property when costs such as management fees, association dues or rent is due, there are no provisions for a municipality to recover those costs; and

WHEREAS, if repair is necessary on a foreclosed piece of property or if there exists a hazardous situation on foreclosed property which a municipality is responsible for, there are no provisions for recovering those costs; and

WHEREAS, Senate Bill 307 provides that a municipality may recover expenses for insurance, repairs, maintenance costs, association dues, and management fees that exceed amounts received by the municipality for use of the facility.

NOW, THEREFORE, BE IT RESOLVED that the Fairbanks North Star Borough Assembly urges the passage of Senate Bill 307.


BE IT FURTHER RESOLVED that copies of this resolution shall be sent to the Honorable Steve Cowper, Governor, State of Alaska, Larry Mercurieff, Commissioner, Department of Commerce and Economic Development, David Hoffman, Commissioner, Department of Community and Regional Affairs, the Honorable Mike Szymanski, Chairman, Senate Community and Regional Affairs Committee, the Honorable Richard "Dick" Eliason, Chairman Senate Labor and Commerce Committee, and all members of the Interior Delegation

PASSED AND APPROVED THIS 8TH DAY OF MARCH, 1990.



Presiding Officer

ATTEST:



Clerk of the Assembly

TITLE: Holding Costs on Foreclosed Property A.S. 29.45.480(a)&(b)

SPECIAL LEGISLATION REQUEST:

Amend A.S. Sec. 29.45.470(a) by adding after "costs of foreclosure and sale" the following: ...and holding costs including insurance, maintenance and repair, association dues, reasonable management fees and such other costs that a prudent property owner would incur.

Likewise, amend A.S. Sec. 29.45.480(b) by adding the same phrase as above to the first sentence. Also add the words "and holding costs" to sentence two after the words "interest and costs".

BACKGROUND/JUSTIFICATION:

The current statutes provide that the previous owner may repurchase a tax foreclosed property for 10 years after foreclosure but before the property is sold. To do so, he must pay the full amount applicable to the property under the judgment and decree, with interest not to exceed 15 percent a year from the date of entry of the judgment of foreclosure to the date of repurchase, and delinquent taxes assessed and levied as though it had continued in private ownership, and costs of foreclosure and sale. In addition, if the municipality sells the property during the 10 year period, the previous owner is entitled to the proceeds beyond the costs mentioned above. No provision is made for the Municipality to recover "holding costs".

Approved by the State and Federal Governments on 1/1/89

STAFF CONTACT: Bob Nelson, Chief Fiscal Officer, 343-6610

