

**HB**

**389**

SFIN

FILE

# SENATE FINANCE COMMITTEE REPORT

REPORTED OUT  
APR 08 2002  
SENATE FINANCE  
COMMITTEE

DATE: 4/3/02

FURTHER:

DATE TURNED  
IN TO OFFICE: 8 April 2002

Finance Committee considered **CS FOR HOUSE BILL NO. 389(CRA)**

*HB 389 MUNICIPAL TAX EXEMPTION: DETERIORATED PROPERTY*

"An Act eliminating the delayed repeal of a provision authorizing an exemption from and deferral of municipal property taxes on certain types of deteriorated property; and providing for an effective date."

and recommends:

- be replaced with **CS** \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous **CS** \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
DCED	2/25/02		✓	

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Lesley Green</i>			✓	
<i>Wm. Austin</i>	✓			
<i>James Huff</i>			✓	
<i>Robert D. Simpson</i>	✓		✓	
<i>James W. ...</i>	✓			
COCHAIR:				
COCHAIR: <i>Pete Kelly</i>			✓	

APR 08 2002

SENATE FINANCE COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: CSHB 389(CRA)  
(H) Publish Date: 2/27/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
Title: Municipal Tax Exemption: Deteriorated Property BRU: Community Assist & Econ Dev. (405)  
Component: Community & Business Development  
Sponsor: Representative Kohring  
Requester: House Community & Regional Affairs Component No.: 2486

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill does not impact the operations of the department.

Prepared by: Pat Poland, Director  
Division: Community & Business Development  
Approved by: Deborah B. Sedwick, Commissioner  
Agency: Department of Community & Economic Development

Phone 907-269-4578  
Date/Time 2/25/02 5:04 PM  
Date 2/25/2002

# ALASKA STATE LEGISLATURE



*Interim:*  
600 East Railroad Avenue  
Wasilla, Alaska 99654  
(907) 373-1842  
Fax - (907) 373-4729

*Session:*  
State Capitol Building, Room 24  
Juneau, Alaska 99801-1182  
(907) 465-2186  
Fax - (907) 465-3818

REPRESENTATIVE VIC KOHRING  
DISTRICT 26

## SPONSOR STATEMENT

### HOUSE BILL 389

#### MUNI TAX EXEMPTION: DETERIORATED PROPERTIES

Alaska Statute 29.45.050 allows municipalities to exempt certain properties from property taxes. Historical sites, non-profit organization properties, and student housing are examples of allowed exemptions.

AS 29.45.050(o) allows municipalities to exempt deteriorated properties once substantial rehabilitation improvements have started. This concept is to encourage economic revitalization and increase a municipality's tax base.

AS 29.45.050(o) sunsets July 1, 2002. This bill deletes the sunset clause.

There are many safeguards within the statute to protect the public from potential abuse of the tax exemption by individuals. In order to qualify for the tax exemption, several steps must be taken by the local governing body. The statute will still require that the "deteriorated property"

(1) has been the subject of an order by a government agency requiring the property to be vacated, condemned, or demolished by reason of noncompliance with laws, ordinances, or regulations;

(2) has a structure on it not less than 15 years of age that has undergone substantial rehabilitation, renovation, or replacement, subject to any conditions prescribed in the ordinance; or

(3) is located in a deteriorating or deteriorated area with boundaries that have been determined by the municipality.

**MARC A. MARLOW**

229 Whitney Road  
Anchorage, Alaska 99501  
Phone: (907) 258-9662 • Fax: (907) 277-0623

February 20, 2002

Representative Kevin Meyer  
Representative Carl Morgan, Jr.  
Co-Chairmen Community & Regional Affairs

Dear Sirs:

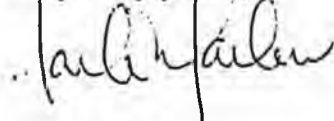
I am writing to request your support for HB 389. This bill extends the sunset provision that was attached to the law when it was first passed in 1998. Passing this bill would allow this law to stay in effect.

This law was originally passed to provide a tool to municipalities that wanted to provide property tax incentives to redevelop deteriorated areas.

Despite the fact the improvements in Alaska are fairly new as compared to some areas in the lower forty-eight, there are some deteriorated areas in Alaska, the redevelopment of which could be hastened if this tool remains available.

I appreciate your thoughtful consideration of my request.

Very truly yours,



Marc A. Marlow

## HB 389

### MUNI TAX EXEMPTION: DETERIORATED PROPERTIES

#### Background Information

**HB 399** was filed during the 1997 legislative session. HB 399 provided municipalities with the option to exempt and defer municipal property taxes on defined "deteriorated properties." This exemption/deferral was for up to five years once substantial rehabilitation was started and could only be granted once. The intent was to provide tax relief to increase financing options for those willing to rehabilitate condemned properties, eventually resulting in increased property values and municipal property taxes. No expiration date was included.

HB 399 was passed and AS 29.45.050(o) took effect July 1, 1998.

**HB 76** was filed in the 1998 session. HB 76 amended AS 29.45.050(o) at the request of the Municipality of Anchorage. The changes were technical amendments to clarify the intent to encourage rehabilitation of deteriorated properties. HB 76 also included an expiration/sunset date of July 1, 2002.

HB 76 was passed and took effect July 1, 1999.

# Alaska State Legislature

## House of Representatives

**COMMITTEE ASSIGNMENTS:**

LABOR & COMMERCE  
MILITARY & VETERANS AFFAIRS  
COMMUNITY & REGIONAL AFFAIRS  
OIL & GAS



**Representative Joe Ryan**

1 800-922-3875 <http://www.akrepublicans.org>

**INTERIM:**

716 W. 4TH AVE.  
ANCHORAGE, AK 99501  
PHONE (907) 258-6161

**SESSION:**

STATE CAPITOL  
ROOM 420  
JUNEAU, AK 99801-1162  
PHONE (907) 465-3875

## SPONSOR STATEMENT for

### House Bill 399

The intent of this bill is to authorize local municipalities the option to provide a tax exemption for improvements of deteriorated real property. The concept is based on other state's local economic revitalization tax programs. Local municipalities will have the flexibility of allowing renovations of real property in order to increase the value of that real property, for tax purposes.

# Bill Text



BILL ID: SCS HB 399(RLS)

00 SENATE CS FOR HOUSE BILL NO. 399(RLS)

01 'An Act relating to an optional exemption from, and deferral of payment of,  
02 municipal taxes on deteriorated property, and defining 'deteriorated property' for  
03 purposes of the exemption or deferral; and providing for an effective date.'

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

05 \* Section 1. AS 29.45.050 is amended by adding a new subsection to read:

06 (o) A municipality may by ordinance partially exempt all or some types of  
07 deteriorated property from taxation for up to five years after the day substantial  
08 rehabilitation, renovation, or replacement of any structure on the property begins.  
09 municipality may by ordinance permit deferral of payment of taxes on all or some  
10 types of deteriorated property for up to five years after the day substantial  
11 rehabilitation, renovation, or replacement of any structure on the property begins.  
12 However, if the ownership of property for which a deferral has been granted is  
13 transferred, all tax payments deferred under this subsection are immediately due at  
14 the deferral ends, or, if ownership of only part of the property is transferred, all  
01 payments attributable to that part are immediately due and the deferral attributable  
02 that part ends. Only one exemption and only one deferral may be granted to the same  
03 property under this subsection. In this subsection, "deteriorated property" means  
04 property that is commercial property not used for residential purposes or that is a  
05 unit residential property with at least eight residential units, and that

06 (1) has been the subject of an order by a government agency requiring  
07 the property to be vacated, condemned, or demolished by reason of noncompliance  
08 with laws, ordinances, or regulations;

09 (2) has a structure on it not less than 15 years of age that has  
10 undergone substantial rehabilitation, renovation, or replacement, subject to any  
11 conditions prescribed in the ordinance; or

12 (3) is located in a deteriorating or deteriorated area with boundaries that  
13 have been determined by the municipality.

14 \* Sec. 2. This Act takes effect July 1, 1998.

Bill Root:

[Return to BASIS Main Menu\(20th Legislature\)](#)

[Return to the Legislature Home Page](#)

BASIS Last Updated 12/31/98

# ALASKA STATE LEGISLATURE

CO-CHAIR  
COMMUNITY AND REGIONAL AFFAIRS

VICE-CHAIR  
LABOR AND COMMERCE  
TRANSPORTATION

SPECIAL COMMITTEE  
ECONOMIC DEVELOPMENT AND TOURISM



REPRESENTATIVE ANDREW HALCRO

District 12

STATE CAPITOL, ROOM 418  
JUNEAU, AK 99801-1182  
(907) 465-4939  
FAX (907) 465-2418  
1-800-465-4939

INTERIM  
716 WEST 4TH  
ANCHORAGE, AK 99501  
(907) 269-0244  
FAX (907) 269-0248

## Sponsor Statement HB 76

During the last session, the Legislature approved HB 399, which authorized municipal governments to exempt and defer the payment of municipal taxes on deteriorated property. This legislation is reflected in the addition of subsection (o) to AS 29.45.050.

In response to this legislation, the Anchorage Assembly adopted a Municipal Ordinance (OA-98-135) providing for the tax deferral for deteriorated property to encourage redevelopment.

However, because of ambiguities in the new statute, the Municipality of Anchorage has requested technical amendments to AS 29.45.050. These amendments include:

1. Clarifying that a Municipality may either partially or totally exempt a deteriorated property from property taxes;
2. Providing that the exemption may begin any time on or after substantial rehabilitation begins; and
3. Prohibits an exemption and deferral of property taxes to be in effect simultaneously.

These are minor changes to the statute, but are required to fully realize the intent of the legislation passed last year to encourage rehabilitation of deteriorated properties.

## Bill Text



BILL ID: HB 76

00 CS FOR HOUSE BILL NO. 76(RLS) am S

01 "An Act relating to an exemption from and deferral of payment on municipal  
02 taxes on deteriorated property; and providing for an effective date."

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

04 \* Section 1. AS 29.45.050(o) is amended to read:

05 (o) A municipality may by ordinance partially or totally exempt all or some  
06 types of deteriorated property from taxation for up to five years beginning on or any  
07 time after the day substantial rehabilitation, renovation, or replacement of any structure  
08 on the property begins. A municipality may by ordinance permit deferral of payment  
09 of taxes on all or some types of deteriorated property for up to five years beginning  
10 on or any time after the day substantial rehabilitation, renovation, or replacement of  
11 any structure on the property begins. However, if the ownership of property for which  
12 a deferral has been granted is transferred, all tax payments deferred under this  
13 subsection are immediately due and the deferral ends, or, if ownership of any [ONLY]  
14 part of the property is transferred, all tax payments [ATTRIBUTABLE TO THAT  
01 PART] are immediately due. The amount deferred each year is a lien on that  
02 property for that year [AND THE DEFERRAL ATTRIBUTABLE TO THAT PART  
03 ENDS]. Only one exemption and only one deferral may be granted to the same  
04 property under this subsection, and, if an exemption and a deferral are granted to  
05 the same property, both may not be in effect on the same portion of the property  
06 during the same time. An ordinance adopted under this subsection must include  
07 specific eligibility requirements and require a written application for each  
08 exemption or deferral. In this subsection, "deteriorated property" means real property  
09 that is commercial property not used for residential purposes or that is multi-unit  
10 residential property with at least eight residential units, and that

11 (1) has been the subject of an order by a government agency requiring  
12 the property to be vacated, condemned, or demolished by reason of noncompliance  
13 with laws, ordinances, or regulations;

14 (2) has a structure on it not less than 15 years of age that has  
15 undergone substantial rehabilitation, renovation, or replacement, subject to any  
16 conditions prescribed in the ordinance; or

17 (3) is located in a deteriorating or deteriorated area with boundaries that  
18 have been determined by the municipality.

19 \* Sec. 2. AS 29.45.050(o) is repealed July 1, 2002.

20 \* Sec. 3. This Act takes effect July 1, 1999.

Bill Root: 

Display Bill Root

TO REPORT PROBLEMS WITH BASIS INQUIRY

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52

Submitted by: Assemblymember Wohlforth  
Prepared by: Assembly Office  
For reading: February 2, 1999

CLERK'S OFFICE  
APPROVED

Date: 2-2-99

ANCHORAGE, ALASKA  
AR NO. 99- 29

A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY SUPPORTING CERTAIN AMENDMENTS TO ALASKA STATUTE 29.45.050(o) REGARDING TAX EXEMPTION AND DEFERRAL FOR DETERIORATED PROPERTY

WHEREAS, in May, 1998, the Alaska Legislature approved HB 399, an act authorizing municipalities to permit, by ordinance, the exemption from, and deferral of payment of, municipal taxes on deteriorated property, and defining 'deteriorated property' for purposes of the exemption or deferral; and HB 399 became law on July 1, 1998 and resulted in the addition of subsection (o) to AS 29.45.050; and

WHEREAS, in September, 1998, pursuant to AS 29.45.050(o), the Assembly adopted AO 98-135, providing for tax exemption and tax deferral for deteriorated property; and

WHEREAS, it has come to the attention of the Municipality that certain ambiguities exist in the state law, AS 29.45.050(o), relating to (1) the intent of the legislature to permit a total exemption, (2) the date when the exemption shall begin, and (3) whether the exemption and deferral are permitted to run consecutively; and

WHEREAS, a bill amending AS 29.45.050(o) has been drafted (see attached) and will be introduced in the state legislature which will clarify the language of AS 29.45.050(o) and will allow partial or total tax exemption for deteriorated property, will permit the exemption to begin on or after the day of substantial rehabilitation, renovation, or replacement of a structure on deteriorated property, and will permit the exemption and deferral to run consecutively for a total of up to ten years; and

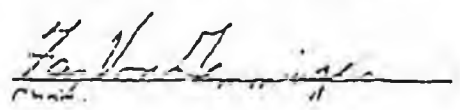
WHEREAS, the Assembly finds that the changes to AS 29.45.050(o), as proposed in the draft bill, would benefit the Municipality by stimulating the redevelopment by private enterprise of blighted property within the Municipality.

NOW, THEREFORE, the Anchorage Assembly resolves:

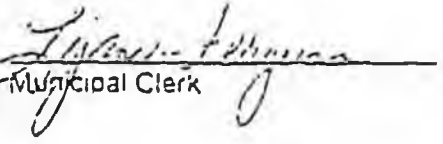
Section 1 That the Assembly supports the proposed amendments to AS 29.45.050(o).

Section 2 That, upon passage and approval, the Municipal Clerk shall forward this resolution to the Alaska Legislature.

PASSED AND APPROVED by the Anchorage Assembly this 2nd day of February, 1999.

  
\_\_\_\_\_  
Chair

ATTEST:

  
\_\_\_\_\_  
Municipal Clerk



February 10, 1999

To: House Community on Regional Affairs Committee

Att: Chairman Halcro

RE: HB76

From: Rod Pfeleger  
Executive Director

Dear Representative Halcro:

The statute embodied in SB54, AS29.45.050(o), became law last year. Subsequent to that the Anchorage Assembly passes AO98-135 to amend municipal code so that the law could be utilized. The municipal attorney asked for the minor changes to AS29.15.050(o) contained in SB54 in order to make things more clear.

This fits into our mission by allowing financing for residential projects which creates an increase in cleanliness, occupancy rates, investments values and lease income, to decrease crime, and to generally stimulate economic development and improve the quality of life in downtown Anchorage.

Please pass SB54 out of your committee so it may become law.

Sincerely,

Rod Pfeleger

WRITTEN TESTIMONY OF MARGARET J. RAWTIZ  
IN SUPPORT OF SB 54 AND HB 76

I am an attorney and I have practiced law in Alaska since 1975. I have been closely involved with the legislation providing for municipal authority to grant tax exemptions and tax deferrals for deteriorated property. I researched laws in other states which granted tax exemptions for deteriorated property and drafted the original version of HB 399, which was introduced in the legislature in 1998, and which eventually became codified as AS 29.45.050(o).

After HB 399 was passed, I drafted an ordinance creating a tax exemption and deferral program in the Municipality of Anchorage. This ordinance was passed by the Anchorage Assembly and became codified in AMC 12.35. I have had several discussions with municipal officials regarding certain concerns they have expressed about the interpretation of AS 29.45.050(o) and practical issues relating to timing.

I have drafted SB 54/HB 76, which is now before you. The purpose of SB 54/HB 76 is to clarify language in AS 29.45.050(o) that is potentially confusing. I believe the amendments contained in SB 54/HB 76 will resolve the legal concerns expressed to me by the municipality. Three changes to subsection (o) are proposed in SB 54/HB 76:

- 1) The words "or totally" have been added at line 5, page 1. The original version of HB 399 provided for a partial or total exemption. The bill that finally emerged from committee and became law did not contain the word "totally".

I believe the change may have been the result of a typographical error. I researched the committee reports and could not find any discussion of, or explanation for, the change. It does not make sense to limit the exemption to a partial exemption because no parameters have been specified. By contrast, AS 29.45.050(j) provides for an exemption of "up to 75%". But without such parameters in subsection (o), a 99.9% exemption is permitted as a "partial" exemption. Rep. Joe Ryan, who sponsored HB 399 last year, has advised me that it was his intention to allow a partial or total exemption.

- 2) A change has been made at lines 6-7 and 9-10, page 1. It is not clear whether the statute requires that an exemption or deferral begin only at the time that renovation begins or whether it permits an exemption or deferral to begin at any time after the beginning of renovation. Since most municipalities would prefer to (or are required to) begin a period of exemption or deferral on the first day of the tax year, it is appropriate to permit an exemption to begin at any time on or after the beginning of renovation, since renovation is not likely to begin on the first day of the tax year.

Furthermore, municipalities have an interest in assuring that the renovation is completed. The new language would allow a municipality to delay the exemption and/or deferral until the renovation work has been substantially completed.

- 3) It is not clear whether AS 29.45.050(o) permits a five-year exemption to be followed by a five-year deferral. The addition at lines 2-4 on page 2 makes it clear that a five-year exemption may be followed by a five-year deferral. Again, this was what Representative Ryan intended.



UNITED BROTHERHOOD OF  
**Carpenters and Joiners of America**

LOCAL UNION NO. 1281

407 DENALI  
SUITE 100  
PHONE 275 3833  
ANCHORAGE, ALASKA 99501  
Fax : 276-7962



February 17, 1999

TO: House Community on Regional Affairs Committee

ATTN: Chairman Halcro

RE: HB76

Dear Representative Halcro:

The statute embodied in HB76, AS29.45.050(o), became law last year. Subsequent to that the Anchorage Assembly passed AO98-135 to amend municipal code so that the law could be utilized. The municipal attorney asked for the minor changes to AS29.45.050(o) contained in HB76 in order to make things more clear.

Please pass HB76 out of your committee so it may become law.

Very truly yours,

Royce R. Rock  
Business Manager

Greg Moya  
Director  
(907) 343-4755

Elva Gray Jackson  
Assembly Analyst  
(907) 343-4754

Joy Paulson  
Admin. Assistant  
(907) 343-4750



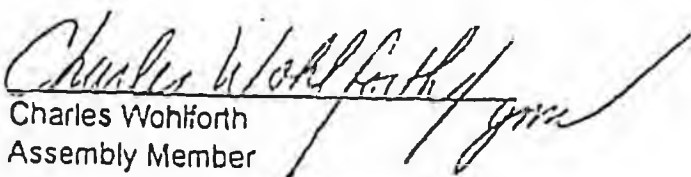
Date: February 10, 1999  
To: House Community & Regional Affairs Committee  
Attn: Rep. Halcro, Chairman  
From: Charles Wohlforth, Assembly Member  
Subject: HB76

Rep. Halcro:

As you know, the statute embodied in HB76 - AS29.45.050(o) - became law last year. Then, the Anchorage Assembly passed AO 98-135 which amended Municipal code so that the law could be utilized. The Municipal Attorney has requested minor changes to AS29.45.050(o) - which are contained in HB76 - in order to make things more clear

I respectfully request that, upon your Committee's review, that this bill be passed out of Committee. I hope you agree with me that this bill should become law.

Sincerely,

  
Charles Wohlforth  
Assembly Member

Tel: 274-2271

Post-It* Fax Hole	7671	John	Ed Ops
To	Rep. Halcro	From	
City/Dept		Co	
Phone #		Phone #	

MARC A. MARLOW

2500 Railroad Avenue  
Anchorage, Alaska 99501  
Phone: (907) 258-9662 • Fax: (907) 277-0623

February 10, 1999

To: House Community on Regional Affairs Committee

Att: Chairman Halero

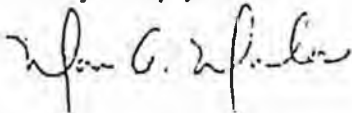
RE: HB76

Dear Representative Halero:

The statute embodied in HB76, AS29.45.050(o), became law last year. Subsequent to that the Anchorage Assembly passed AO98-135 to amend municipal code so that the law could be utilized. The municipal attorney asked for the minor changes to AS29.45.050(o) contained in HB76 in order to make things more clear.

Please pass HB76 out of your committee so it may become law.

Very truly yours,



Marc A. Marlow