

**HB**

**390**

# ALASKA STATE LEGISLATURE

**Vice-Chair:**  
House Finance Committee

**Member:**  
House Finance Subcommittees for,  
Department of Public Safety  
Department of Law



**Session:**  
Alaska State Capitol  
Juneau, AK 99801-1182  
Phone: (907) 465-4958  
Fax: (907) 465-4928

**Interim:**  
PO Box 464  
Chugiak, AK 99567

**BILL STOLTZE**

**State Representative**

Representative\_Bill\_Stoltze@legis.state.ak.us

## MEMORANDUM

**TO:** Representative Kurt Olson, Co-Chairman  
Representative Bill Thomas, Co-Chairman  
House Community & Regional Affairs Committee

**FROM:** Bill Stoltze *BS*

**DATE:** March 28, 2006

**SUBJECT:** Hearing Request

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Pursuant to my conversation with Co-Chairman Rep. Thomas, I still want to pursue a committee hearing on House Bill 390, relating to property assessment appeal fees.

Thank you for your consideration.

DISTRICT 16

BIRCHWOOD • BUTTE • CHUGIAK • EKLUTNA • FAIRVIEW LOOP  
KNIK RIVER ROAD • LAZY MOUNTAIN • PALMER • PETERS CREEK

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## **BILL STOLTZE** **State Representative**

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### **House Bill 390**

#### **Property Assessment Appeal Fee**

*"An Act limiting the amount that a municipality may charge for an appeal of a residential real property tax assessment to the municipality's board of equalization."*

Often time homeowners feel the value of their home has been wrongly assessed. In order to challenge that assessment an appeal must be filed with their municipality's board of equalization. Currently, municipalities charge a variety of fees associated with an assessment appeal.

HB 390 will cap the amount a municipality can charge for a homeowner to appeal the assessment on their home to \$10.

This legislation is an attempt to allow homeowners due process in having their home assessed by their local government.

ANCH - \$ 30-100  
KENAI - 30,100, 200, 1000 - 2mm 7  
KETCHIKAN - FREE 15¢  
30-100

DISTRICT 16

BIRCHWOOD • BUTTE • CHUGIAK • EKLUTNA • FAIRVIEW LOOP  
KNIK RIVER ROAD • LAZY MOUNTAIN • PALMER • PETERS CREEK

## Local property values keep on rising

10 PERCENT JUMP: City begins mailing its 2006 appraisal notices.

**PETER PORCO**  
Anchorage Daily News

### Staff

The **value** of all private and business **property** in the city jumped 10 percent in the past year, according to the city's **Property** Appraisal Division, which began mailing its 2006 appraisal notices Friday. The notices function as a heads-up to home and **property** owners, because **property** taxes are based partly on appraised **value**. Taxes generally follow **values** up. Officials, however, say there's no direct link between the change in **value** and the tax rate, which will be set this spring by the Anchorage Assembly.

The increase in assessed **value** varies greatly from **property** to **property** across the city. Some **properties** have fallen in appraised **value**, but the great mass of the city's 93,800 residential and commercial parcels have gained **value**, said municipal assessor Marty McGee.

The total taxable valuation of real **property** in the city has risen this year to \$23.9 billion, from \$21.7 billion the year before.

Some **properties** have appreciated by 20 percent or more -- including one owned by an assemblyman -- but most increases are in the mid-range of 10 percent to 11 percent, McGee said.

Assemblyman Kenneth Stout, who was one of five Assembly members to hear McGee and other officials discuss the latest evaluations at a work session Friday, learned that his own home in East Anchorage has risen in appraised **value** by 18 percent, to nearly \$360,000.

"I'm not real happy with it, of course," Stout said. "It went up considerably last year, so I thought it would level off."

Stout accepted McGee's explanation that higher-quality homes generally saw the largest increases in **value**.

"I can't complain too loudly," he said. "We have a little complex there that has just a few houses in it, and the houses are all fairly good size and well kept."

The division sets a dollar figure for a **property** -- what it considers the fair market **value** -- based on actual sales of similar **properties**, according to McGee.

Appraisers track the sale price of roughly one-third of the city's **properties** sold in a given period, he said. Based on price and characteristics of the **property** sold, they construct a model to predict the **values** of similar **properties**.

"We know what goes on in the marketplace," McGee said. The city believes its appraisals are at 98 percent of the actual market **value**, he added.

Location plays a role in **property values** but not a major one, he said. Some areas of the city are

responding to the market as a whole. The South Addition, for example -- the neighborhood south of the Park Strip -- is booming because lots of people want to live near downtown, McGee said.

"There's a lot going on there, a lot of high-**value** sales, and we reflect that in our valuation," he said.

"The predominant thing going on now," he said, "is people doing remodeling and additions. People are upgrading all over the city. We're more affluent, interest rates are low, they can refinance and add **value** to their houses."

People who live in older, smaller homes that are not changing complain that their **properties** should not be rising on a par with the other homes, according to McGee.

His answer to them is that there's a strong market for homes just like theirs because buyers want to take those smaller homes and remodel them.

Anchorage has relatively few homogeneous neighborhoods, which are likely to be subdivisions built in recent years. Its more typical neighborhood profile is a hodge-podge of housing -- the older homes side by side with larger, newer houses and maybe fixer-uppers on the other side of the street.

"Anchorage has not developed systematically," McGee said. That's why comparing type of **property** rather than relying on location "does a good job in predicting individual **property values**" based on the **property** description.

The much-discussed housing bubble that appears to be leveling off Outside is not much in play in Anchorage, according to McGee. The speculation that leads to "hyper **value**" elsewhere does not hold true here, he said. Anchorage is still riding a general economic rise and few better investments exist here than a house.

"What we're seeing now and expect to see in the next year is a slowdown in the number of sales but not in price."

Stout thought otherwise.

"My personal assessment is that this market will (soon) flatten out," Stout said.

**Property** owners have 30 days from the date of the notice to appeal their evaluation. Both the evaluation and appeal forms are available on the city's Web site ([www.muni.org](http://www.muni.org)).

The city does change appraisals when it learns something about a **property** it did not know before, McGee said.

Meanwhile, the city is again offering exemptions for up to \$20,000 of assessed **value** to qualifying taxpayers -- chiefly, to those who live in their own homes.

Those who applied last year do not have to reapply, the city said.

New homeowners will find information and tax exemption forms on the Web site.

Daily News reporter Peter Porco can be reached at [pporco@adn.com](mailto:pporco@adn.com) or 257-4582.

Anchorage Daily News (AK)  
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## Ballooning property values put crunch on seniors in the Valley

TAXES: Officials say they are starting to investigate additional exemption options.

Mat-Su focus

**RINDI WHITE**  
**Anchorage Daily News**

### Staff

**Property values** are on the rise in the Valley, and some members of the Matanuska-Susitna Borough Assembly are looking for ways to help seniors on fixed incomes who, despite tax exemptions, face growing tax bills. Two Valley seniors in the past two months have asked the Matanuska-Susitna Borough Assembly to reduce their **property** taxes, saying their assessments have increased beyond what they can afford.

It wasn't easy to ask the Assembly to forgive her nearly \$1,240 tax bill, said Wasilla resident Eleanor Riendl, who on Jan. 4 asked for an extreme hardship exemption.

"When I found out this was an option, I really had to think about it," Riendl said. "I don't ask for help."

Riendl has been out of work since her state job as a Palmer Superior Court bailiff, shepherding jurors during trials, was reduced from full time to a few hours a week, she said.

She's looking for work but is finding her age, which she declined to state, an impediment to re-entering the job market. Riendl said she's hoping for something more stimulating than a job as a department-store greeter. She's had a few interviews for office positions, but nothing has come through yet. Riendl said she's confident she'll be back on her feet but hoped for an exemption to help her until she does.

By state mandate, senior citizens and disabled veterans are exempt from paying taxes on the first \$150,000 of the assessed **value** of their primary home. State law also provides other options for seniors and disabled veterans -- a hardship exemption, an extreme hardship exemption and a blanket reduction in assessments for all **property** owners. Cities or municipalities can exercise the three options at their discretion, according to state assessor Steve Van Sant. Or they can, like Kenai, go a step further and eliminate taxes on **property** owned by seniors altogether, he said.

Van Sant said five municipalities have turned to blanket exemptions in an effort to make **property** taxes more fair, and the Municipality of Anchorage is considering its own blanket exemption program. Van Sant said municipalities around the state have granted hardship and extreme hardship exemptions on a case-by-case basis to address each **property** owner's request. An extreme hardship exemption forgives all **property** taxes owed after the first \$150,000 of assessed **property value**. A hardship exemption caps the amount of **property** tax due at 2 percent of the applicant's income.

Riendl said she completed paperwork verifying her income, and borough assessor Allen Black verified the information before sending it to the Assembly. An extreme-hardship-exemption request is not a well-publicized option, and it's something the Assembly has never been asked to consider

before, borough finance director Tammy Clayton said. The Assembly in December dealt with its first hardship exemption request in borough history.

It came from Grouse Ridge **property** owner Kendall Gardner, and the Assembly unanimously denied his request to pay 2 percent of his owed tax bill. Gardner listed his income as exceeding \$60,000. His **property** is valued at \$277,900, and he would pay taxes on about \$127,900 of that, or about \$1,900.

Riendl's plea for assistance was also denied, by a 3-2 vote, but the issue is something borough leaders are continuing to discuss. Riendl's Assembly representative, Mary Kvalheim, was traveling Outside at the time of the vote. She said she was surprised Riendl's request was denied and followed up the decision with calls to borough administrators, asking that they work on finding options for seniors whose **property values** have risen above levels they can afford to pay.

"I feel very strongly that seniors are a gift to our community," Kvalheim said.

Kvalheim isn't the only Assembly member concerned that growth in the Valley may be leaving seniors behind. Borough Mayor Tim Anderson said Riendl's case opened his eyes to the possibility that the \$150,000 exemption for some seniors may soon not be enough to release them from tax obligations.

For the first time, in 2005, the average **property value** in Mat-Su Borough rose above \$150,000. Clayton said the average assessed **value** of a home is nearly \$160,000, up nearly \$20,000 from last year.

"As our assessments **value** continues to grow, unfortunately, their incomes don't generally increase at the same level," Anderson said. "We could see real problems for people with fixed incomes."

Black said he hears plenty of complaints after assessments are mailed out each March -- that's just par for the course. Some of the appeals he deals with each year come from seniors, but as many come from others who believe his office erred when estimating their **property value**.

Appealing the assessment, Riendl said, was her first response. She's appealed her assessment the last few years and said the borough assessment office has in the past reduced the **value** of her home and **property** by a few hundred dollars to an amount she's been able to pay. This year, that didn't happen.

Riendl's home needs repair. By itself, it's worth less than \$20,000. But her **property** is conducive to development. One side borders Bogard Road, a busy and increasingly commercial thoroughfare.

"It's very desirable land," Black said. "Her assessment went up with the 2004 assessment year."

Leapt is more like it. Riendl's assessment went up \$20,800 in 2003 and another \$62,100 in 2004. She qualifies for the senior-citizen tax exemption on the first \$150,000 in assessed **value**, but her nearly \$1,240 tax bill constitutes a large chunk of her income, which comes from Social Security checks alone.

The average Mat-Su **property** owner in 2004 paid about \$2,730 in **property** taxes. Boroughwide, **property** owners pay 11.8 mills, plus about 0.38 mills for local road and fire service area funds. In the **cities**, the service area funds are replaced by a citywide mill levy: 3 mills in Palmer, 3 mills in Houston and 0.4 of 1 mill in Wasilla.

One option for hard-pressed seniors may be a program used in other states that places a lien on the **property**, allowing seniors to defer tax payments until their land is sold or the **property** owner dies and the taxes are paid by the deceased's estate. Mat-Su Borough assistant manager Marian Romano said borough staff members are evaluating programs elsewhere but that the process is in its early stages.

"We don't want to necessarily reduce the borough's ability to provide services," Romano said. "But we do want to be fair to the residents of our community. We're looking to see what's out there."

Van Sant said that to expand **property-tax** exemptions may be a state-level task that requires

action by the Legislature. He said that the Legislature has discussed deferral programs before, but some aspects seemed problematic. When the matter was discussed in the 1980s, he said, seniors weighed in, saying they'd be reluctant to have a lien placed on their **property** just to avoid paying taxes. And legislators were reluctant to approve a program that could saddle municipalities with unwanted residential **property**.

Depending on how long someone lives, the taxes owed on a **property** could amount to more than the **property** is actually worth, leading the municipality to take a loss or hold on to the **property** for future sale. And, at a time when many municipalities are clamoring for the return of revenue sharing and of funds to offset the state-mandated exemptions, adding a new exemption may prove difficult.

"Anytime they expand those exemptions, they're asking other taxpayers to pay more also," Van Sant said.

Daily News reporter Rindi White can be reached at 1-907-352-6709 or at [white@adn.com](mailto:white@adn.com).

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 390  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
 Title Property Assessment Appeal Fee RDU Community Assist & Ec Dev (405)  
 Component Community Advocacy  
 Sponsor Stoltze  
 Requester Community & Regional Affairs Component No. 2703

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

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**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 (FY2006) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This legislation limits the amount a municipality may charge individuals for filing an appeal on an assessment to \$10.00, regardless of the actual cost to the municipality. Currently, three municipalities charge a fee in excess of \$10.00. If the assessment is adjusted, the hearing fee is refunded to the individual. This legislation does not impact the operations of the division, however, there may be an impact to local municipalities that the division has no information to document.

Prepared by: Mike Black, Director Phone 907 269 4535  
 Division: Community Advocacy Date/Time 4/3/06 2:27 PM  
 Approved by: William C. Noll, Commissioner Date 4/3/2006  
 Agency: Commerce, Community and Economic Development